The NATIONAL UNDERWRITER

Published weekly at 175 W. Jackson Blvd., Chicago 4, Illinois. Second class postage paid at Chicago.

30¢ a copy
$7.50 a Year

February 10, 1961
65th Year, No. 6

The National Weekly Newspaper of Fire and Casualty Insurance

Congress Seen Out Of Foreign Reinsurer Tax Picture, IRS Taking Initial Action

By WILLIAM MACFARLANE

Action aimed at limiting the tax advantage enjoyed by U.S. insurance companies with foreign reinsurance subsidiaries, if it comes this year at all, will probably emanate from Internal Revenue Service through some sort of administrative ruling rather than via new legislation from Congress. At least, that is the conclusion that can be drawn if recent events in Washington are any indications of how IRS and Congress are thinking.

Something Definite Expected

Originally it was felt that something definite would be done on the legislative level, since calls for action in this area have been made by members of the House ways and means committee, the Senate finance committee and the joint House-Senate committee, on internal revenue taxation. Recently, Sen. Gore of Tennessee, in a speech on the floor of the Senate, referred to the foreign reinsurance subsidiary device as a "gimmick for tax avoidance," and called for repeal of the provisions of the income tax law which allows foreign income taxes to be credited against U.S. income taxes, and the enactment of legislation to charge domestic corporations for tax purposes the profits made by their foreign subsidiaries, whether these profits are brought into this country or not.

No Action This Session

However, despite all the sound and fury from both houses on this score, Rep. Mills, the powerful chairman of the House ways and means committee, stated flatly that revision of the income tax structure, which would seem to include any legislative consideration of the special tax treatment of foreign subsidiaries, will probably "go over to the next session of Congress." Other informed sources have said that little, if anything, can be expected from Congress in the way of an overhaul of the income tax law either this year or this session.

On the other hand, the situation within Internal Revenue Service is quite different. IRS, for some time now, has been "greatly disturbed" by the increased use of the foreign subsidiary by U.S. industry generally and the insurance business in particular, an IRS spokesman during the previous administration told this newspaper. The service has hesitated, he said, to make any move administratively because of several factors, an important one being that IRS did not have all the facts in front of it at the time.

Attend From New York, Chicago

Then, late in 1960, IRS made its first move to assemble those facts and issued regulations which require U.S. companies with foreign subsidiaries to file information returns on the fi-

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N. Y. Society School Progresses In Move To Degree Granting

Insurance Society of New York is proceeding with plans for establishment of its degree-granting college. With 27 insurance organizations already pledged to provide support for the necessary college budget, the society is asking top executives in the life and property field to share in financing the project.

The new college would have day and evening classes and would grant the degree of bachelor of business administration to graduates with a major in insurance. The curriculum of the evening division would be expanded to include additional liberal arts and business courses. The courses leading to the degree would include 47% liberal arts subjects, 28% insurance courses, and 25% supporting subjects, such as law, statistical methods and accounting.

Upon satisfactory establishment of the program, a day division curriculum would be provided on a cooperative or work-study basis. Students

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Want Bureau Power Restored In Wash.

The Washington department is sponsoring an amendment to the fire rate section of the insurance code which would restore rating control in existence prior to the supreme court decision in the North America case last year. Commissioner Kueckelhan has issued a statement supporting the bill.

Any company adopting the filings of a rating organization would have to adopt such filings in their entirety and not make or maintain a portion of such filings on its own behalf, according to the provisions of the bill. No insurer could become a subscriber to a rating bureau unless it adopted in their entirety the filings of the rating organization.

Grandfather Rights Excluded

Grandfather rights would be excluded, and this would outlaw the many filings approved since the North America decision, and a number of the companies permitted by the old grandfather clause to maintain independent filings and class deviations while subscribing to bureau services would be required to adhere to all bureau rules, rates and forms or to file on an independent basis. Companies could not issue policies in an underwriters agency and make filings through an underwriters agency as if it were a separate and distinct company.

The principal effect of this bill would be to restore absolute bureau control of rates, rules and forms on commercial classes.

In his statement, Commissioner Kueckelhan explained:

"The method by which fire insurance rates are made necessitates strik-

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More Quality, Not Quantity In Insurers Is McClain's Goal

An overflow crowd of 541 Indiana insurance people, legislators and a liberal sprinkling of outstaters heard the new Indiana commissioner, Harry E. McClain, declare that he was "more interested in quality than quantity of Indiana companies" at a reception and dinner honoring him and the retiring commissioner, James Ashley. Among the many tributes paid Mr. McClain, C. H. Haskett of Rochester, president of Indiana Assn. of Insurance Agents, called him "the best known insurance man in Indiana." This was certainly borne out by the size and enthusiasm of the crowd, which jammed every available corner of the ballroom of the Indianapolis Athletic Club and spilled over into several adjoining rooms and halls. This was all the more remarkable because the dinner was announced just 10 days or so before it took place.

John Neville of American Insurance Assn. came from New York, E. H. Born of Western Actuarial Bureau, and Walter Dithmer of Insurance Information Institute, were there from Chicago, and several company people from other states were in the crowd.

Clarence Jackson, president American United Life and an old friend of Mr. McClain's dating from World War I days, was an adroit master of ceremonies whose dry wit and barbed comments spared neither Gov. Matthew Welsh, Commissioners McClain or Ashley, the visiting commissioners, or the members of the legislative insurance committees who were there.

Recently elected Gov. Welsh, a Democrat with a Republican lieutenant governor and house of representatives, spoke of his great hopes for the insurance department under Mr. McClain. Speaking of Mr. McClain, Gov. Welsh declared he was "looking for the best

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McHugh Tees Off On Opponents Of Rate Making By Market

Says Competition Should Prevail; Cites Reasons For No Prior Approval

Severe criticism of a "hold-the-line" philosophy in the business was voiced by Donald P. McHugh, counsel to the Senate anti-trust and monopoly subcommittee, in his talk at the South Carolina Insurance Forum, sponsored by the state insurance department at Columbia.

Proponents of such "backward thinking" have had marked success in instilling in various insurance departments a belief in the paramount importance of bureau filings and a one-price system, Mr. McHugh declared. But insurance department directives indicating an open hostility to deviations on either rates or forms will hardly serve the public interest, although the commissioner's job may be simplified.

In reviewing the highlights of the O'Mahoney model rating bill for the District of Columbia, which was recently reintroduced by Sen. Kefauver, Mr. McHugh emphasized the elimin-

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Agent Bill Passes In N. Y.

The New York legislature has passed and sent to the governor a bill to extend the freedom of contract bill for another year. The present law, which requires that the insurance department take into consideration past commission rates, as well as loss and other expense data in approving rate changes, expires April 1.

The legislation has been urged by New York State Assn. of Insurance Agents and Greater New York Brokers Assn.

Members of the joint company-agents subcommittee on advertising and selling of National Assn. of Mutual Insurance Agents, at a recent meeting in Washington. Seated from left are F. B. Esau, Pawtucket Mutual, vice-chairman of the subcommittee; G. R. McKiever, Miami, NAMIA president; Paul Darling, Iowa National Mutual, subcommittee chairman; Earl A. Lamb, New York, and E. C. England, State Automobile Mutual. Standing from left are John Henry, Pennsylvania Lumbermens Mutual; G. Paterson Jr., Freehold, N.J.; A. R. Elliott, New Haven; E. C. Jones, Iowa Hardware Mutual; T. A. Stang, Jacksonville, Fla.; D. L. Elliott, Miami; C. B. Anderson Jr., Berkshire Mutual Fire; J. W. Aggett, Atlantic Mutual Fire, and E. A. Ullrich, Utica Mutual.

Automation, Other Agent Problems, Explored At Conn. Mutual Rally

CHESHIRE—As might be expected, agency problems occupied most of the program of the annual conference here of Mutual Agents Assn. of Connecticut. The meeting attracted a record crowd of more than 350. With Allen R. Elliott of New Haven, president, handling the gavel, John F. Mulvihill of Hartford, secretary-treasurer, started the meeting by outlining the major trends in the business that are of significance to agents.

Robert Morrison, Boston attorney, discussed the agent and his contracts with insurers, and Earl Lamb of New York, past president of National Assn. of Mutual Insurance Agents, discussed the new activities and plans of that organization.

Clyde Cecil, assistant secretary of National Assn. of Independent Insurers, discussed the program of the major insurers of automobile liability to meet the problem of the uninsured motorist, and John R. Barry, president of Corroon & Reynolds group, called for realistic rate regulation. Deputy Frank Wagner of the insurance department outlined the agent's liability where he fails to effect insurance properly.

Press Panel

The meet-the-press panel had as representatives of the business Thomas F. Reynolds, manager Illinois Insurance Information Office; A. G. Morse, vice-president of Shelby Mutual for New England, Hartford; John Middleton, secretary of Mutual of Hartford; Mr. Cecil, and Mr. Barry. Representing the press were Roderick Geer, executive secretary of the mutual agents' associations of Connecticut, New York and New Jersey, and editor of their publication, the Triangle; Francis Ahearn, manager of Insurance Information Office of Connecticut; Emanuel Levy, editor of the Insurance Advocate, and Kenneth O. Force of THE NATIONAL UNDERWRITER. Howard B. Phelon, Hartford attorney and counsel of the Connecticut association, moderated the panel.

The talks of Mr. Cecil and Mr. Wagner are treated separately.

Commissions are being reduced, Mr. Mulvihill reported, yet there is more pressure today from companies and insured for service. This pinch is getting worse. He believes it is vital for company representatives and agents to start at once to work out means by which the agent can increase his net in order to meet the squeeze.

He called attention to formation of a subsidiary, National Emblem, by Allstate to write under-25 and over-65 drivers without their having to go into the assigned risk plan. Agents could use a facility of this kind, he said, and he urged the agency company presidents to do something about the matter. Many risks assigned are not entitled to be, he said—and agents are partly to blame because they don't work hard enough to place them in the voluntary market.

Mr. Mulvihill said he and other mutual agents strongly object to the fact that the rating bureaus that make the rules these agents have to follow are controlled by the higher priced stock companies and not by the mutuals. Agents should look into this, he declared. For example, to put into effect the new institutional property form the agent has to cancel existing insurance—yet it will take five to six months to get the new rate. The reason for this is that many institutions in Connecticut have not had a rate review in some time. The rate under the new form thus may turn out to be higher than present rates. There is also necessary under the new program a mandatory quarterly engineering report on the risk. New England Fire

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Aetna Fire In The Black For 1960

Aetna Fire had an underwriting profit of $318,696 in 1960, compared with an underwriting loss of $2,491,461 in 1959. Net investment income reached a record high of $8,053,774, up $787,442 over 1959. Net income after taxes was $8,263,235, an increase of $3,311,519. Net premiums reached a record $162,-332,109, up 6.7%.

Earned to incurred loss ratio, including loss adjustment expense, was 60.5 in 1960, compared with 61.2 in 1959. President H. M. Mountain pointed out that the statutory underwriting profit of $318,696, made possible by improving loss experience and continuing attention to expenses of doing business, was materially affected by the losses sustained in Hurricane Donna.

Premiums by class of business were fire and allied lines, 47.7%; marine 13.3%, and casualty and surety, 39%. Earned to incurred loss ratios by class of business were 51.1 for fire and allied lines, compared with 47.5; 54.3 for inland and ocean marine, against 58.4; and 56.9 for casualty and surety, compared with 61.2.

Despite the reduction of 4.3 percentage points in the casualty loss ratio, "the automobile, compensation, and general liability classes continue to present the most severe underwriting problems facing us as an individual company and the casualty insurance business as a whole," Mr. Mountain said.

Underwriting expenses were 38.3% of written premiums, compared with 40.4% in 1959 and 42% in 1958. Mr. Mountain emphasized in his annual report the necessity for further reducing these expenses since "under indicated trends we anticipate it will be increasingly difficult to effect reductions of any material consequence in loss ratios in 1961." He also stressed the continuing importance of reducing the company's operating expense ratio. Expanded facilities of SPAN Data Processing Center, of which Aetna Fire is a member, combined with constant internal research, will be helpful toward this accomplishment during 1961.

Assets were $314,330,737 at year end, up $18,681,643. Policyholders surplus was $99,918,833, an increase of $6,-128,384, and net earnings per share were $8.26 compared with $4.95.

Continental Cas. To Offer Home Mortgage Unemployment Cover

Continental Casualty soon will begin issuing a package policy combining unemployment and A&S insurance covering home mortgages.

Developed with the cooperation of National Assn. of Home Builders and Celotex Corp., the policy will be offered at first only in the Chicago area to a pilot group through the offices of Chicagoland Home Builders Assn. This association has 800 member builders with some 10,000 housing starts.

One To Two Year Basis

The policy, which is written on a one or two year basis, with no renewal possible for the time being, provides, after a two-month elimination period, a maximum of six monthly mortgage payments for policyholder home owners who are laid off or discharged through no fault of their own. Those policyholders who are not working because of a strike are not covered.

For those policyholders unable to work because of accident or injury, the maximum monthly mortgage payment coverage is five years, with an elimination period of 15 days.

Premium charges are based on 6% of the monthly mortgage payments. Thus, a monthly mortgage payment of $100 would mean a $72 yearly premium, payable in advance.

Expect Approval Soon

William Courtney, attorney Continental Casualty, at a press conference announcing the policy at Chicago, stated that approval of the policy by the Illinois department is expected within two weeks and the first policy should be written by March 1. He said that while it was not a group policy per se, policyholders will not be individually solicited at this time.

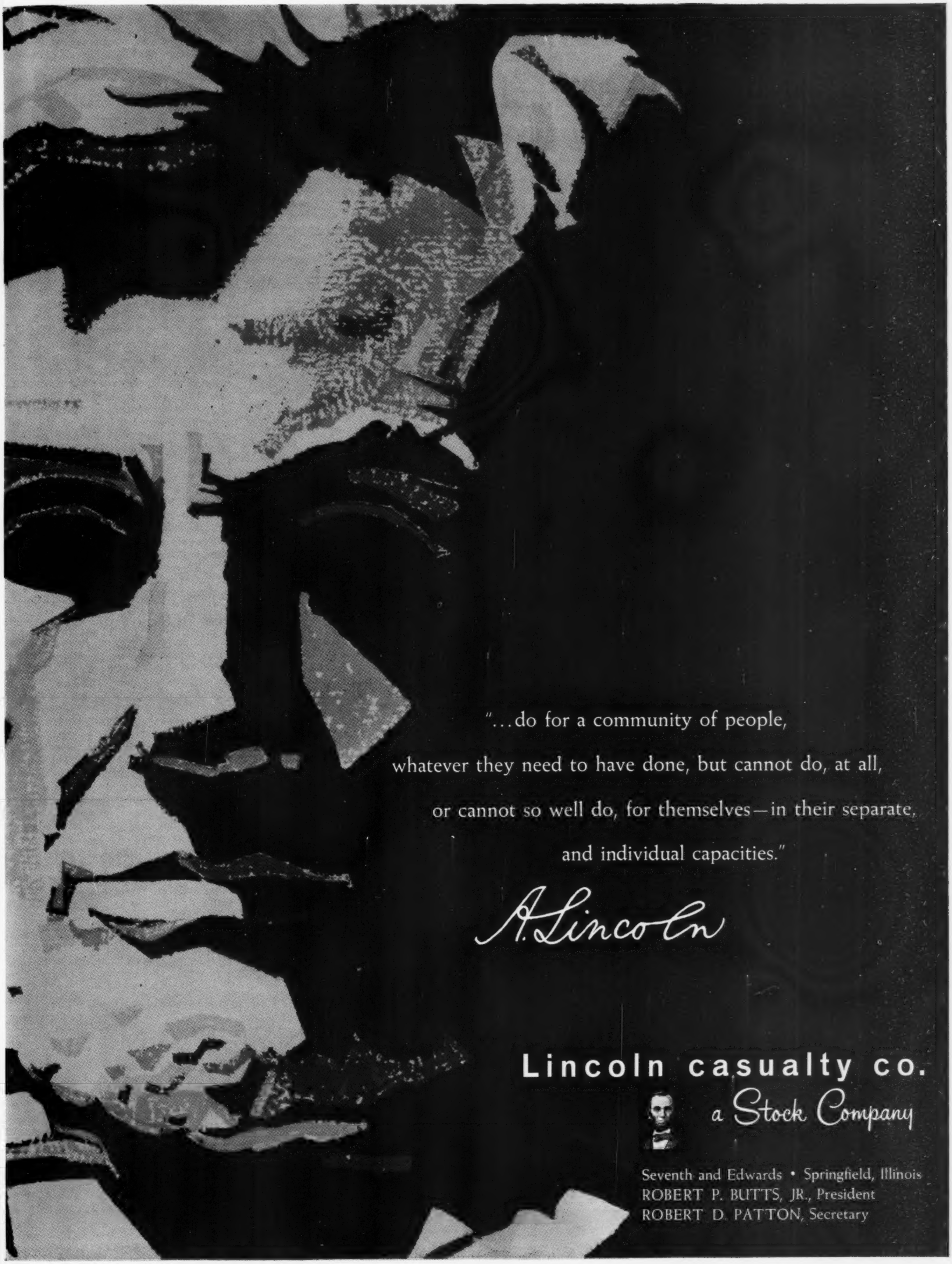
Roy Tuchbreiter, chairman Continental Casualty, noting that the company had pioneered other types of policies, such as polio coverage, said the company is not afraid to lose some money on this policy during its infancy. The company plans to stick with it in order to build up the kind of experience that will lead to establishment of a rating formula.

Underwriters Adjusting Holds Annual Meeting

Underwriters Adjusting Co. reported an increase in the average amount of loss in 1960 over the preceding year, due primarily to heavy wind and hail losses in Nebraska, Iowa, Illinois and Indiana, and an increase in the number of large fire losses.

Directors elected are: Paul H. Barr, Hanover; K. E. Chapman, Agricultural; C. E. Curtis, Ohio Farmers; E. A. Domke, Millers National; C. D. James, Northwestern National; J. G. McFarland, National Union; A. M. Mills, Camden; C. N. Mullican, Fireman's Fund; R. R. Hayes, Crum & Forster; E. R. Voorhis, Royal; H. P. Winter, America Fore; G. V. Whitford, Reliance, and K. C. White, Underwriters Adjusting.

Officers elected are: K. C. White, president; J. G. McFarland, and Herman P. Winter, vice-presidents; Fred S. King, vice-president; H. L. Pettigrew, secretary-treasurer; M. C. Dawson, assistant secretary-treasurer; G. F. Keeley, assistant secretary-treasurer.


"...do for a community of people,
whatever they need to have done, but cannot do, at all,
or cannot so well do, for themselves—in their separate,
and individual capacities."
A. Lincoln
Lincoln casualty co.
a Stock Company
Seventh and Edwards • Springfield, Illinois
ROBERT P. BUTTS, JR., President
ROBERT D. PATTON, Secretary

Agent Should Be Key Man In Market Planning Just As In Life Business

By JOHN N. COSGROVE

Sales management in the fire and casualty business is a unique area where there are too many Indians and not enough chiefs. This is inevitable because of the individualistic nature of the independent agency system.

Some fire and casualty insurers have indicated that they intend to take a leaf from the life companies' sales planning book and come up with similar programs and methods of implementing them. They apparently think that life companies lead agents to market by the nose.

However, a look into the life business sales area immediately discloses that the life agent plays a leading role in market planning. The agency manager is often primarily responsible for establishing a sales plan. He is often assisted by the agency department of his company. The key point here is that he has only one company to deal with, not from three to 15 or more, as does the fire and casualty agent.

The typical general lines agency represents numerous companies, each of which has lately established a marketing department and adopted a sales program. Each department has a vice-president or other official as its director. In effect, he is supposed to be a sales manager. But that does not mean that the independent agent must or will permit any one of these officials to manage sales for his agency.

Past Practices

In order to assess the present confused situation, it is necessary to examine formal sales management or, more properly, the almost complete lack of it in the traditional fire and casualty companies in the past.

Every company of any consequence had an agency department whose main function in broad terms was to extract from each agency the maximum volume of desirable business. This agency department and its adjunct, the advertising unit, did some sales planning, furnished direct mail and other promotional aids, and often delegated field men to push certain lines at propitious times.

But if the head of any of these company units considered himself a sales manager, he was very wide of the mark indeed. If any field man had dubbed himself as such, he would have been clapped into a confining waistcoat and sped off to Bedlam. Agents took or rejected suggestions from the agency department or field men as they saw fit, unlike salesmen in other lines of business who take direction from the sales manager or else disappear from the payroll.

But now the appointment of company officers to jobs with specifically delineated functions of sales management would seem to imply the expectation that agents are going to be more amenable to direction by a particular company. As indicated, this is highly doubtful, as long as the independent agency system retains its present characteristics.

Agency Sales Effort

In the past, agents considered themselves their own sales managers, and they still do. Whether or not they did the job well or at all is beside the point. Sales management or lack of it was up to the agency.

Some agencies were and are highly skilled in the art of sales management. The principal or partners, long established in the community, knew every aspect of local business and social life. They staked out their potentials in various areas, went after the markets thus identified and often did a superlative job, even though they may have been playing by ear and not under any one company's baton. Some of these agencies even had (and have) staffs of solicitors with specified territories, quotas and established routines. Furthermore, some agency principals have studied sales management and conduct their affairs under well established principles that are used in other lines of business.

But now many companies apparently expect the management of sales to revert to them under a uniform company approach or even one allowing for some flexibility to meet the needs of the agencies in various locations with different markets and potentials. If they think that life companies use this approach, they are mistaken.

Analyzes Life Practices

Several years ago, William E. Hayes, general agent of New England Mutual Life, pointed out that the extent of a life company's participation in sales planning at the agency level depends in large part on the general attitude of its management toward the delegation of authority and responsibility. Some life companies delegate the entire sales planning activity. Others provide agency managers with a complete blueprint of operation with little latitude for adjustment. As a group, life companies which operate on a general agency system delegate more of the sales planning job than do companies operating on a branch manager system. The company's attitude toward centralization or control of its sales operations, however, is the greatest governing factor, regardless of the formal system under which its agencies operate.

At its best, in Mr. Hays' view, long range sales planning is a joint activity, with the company agency department and the agency manager cooperating to develop a plan of action. This plan must be realistic, capable of attain-

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Downey Named To Agency Post Of State Auto Of Ind.

Grattan H. Downey has been appointed agency training administrator of State Automobile of Indianapolis and Statesman. He will direct the organization's training and technical education programs throughout Indiana, Illinois, and Pennsylvania.

Mr. Downey began his career as a solicitor in a local agency. For a time he operated his own insurance business. He has served insurers in numerous capacities over the years, and for a three year period headed an insurance survey and counseling service. Mr. Downey has been active for a number of years in CPCU educational programs, handling lecturing assignments at Indiana and Butler universities. He has written technical and sales articles. While a member of the Indiana house of representatives, he served as insurance committee chairman.

Senator Kerr Warns Of Forand Assault Against His Health Care Law

A Forandist assault on the Kerr-Mills health care law was seen as being imminent by Sen. Kerr of Oklahoma, co-author of the legislation, who called for action to meet the challenge. He addressed 400 insurance men, doctors and hospital administrators at a meeting of Oklahoma Assn. of Health Underwriters.

A report of the meeting will be given Feb. 11-12 at a meeting of directors of International Assn. of Health Underwriters at Chicago. The directors' agenda will emphasize legislative plans, principally enabling legislation in the various states provided for in the Kerr-Mills law.

Sen. Kerr reported that HEW Secretary Ribicoff, appearing for confirmation, told a Senate committee that he would strive for a health care plan for the aged financed by social security and administered under his department.

"The opposition is going to look for every flaw in operation of the law in every state," the Senator warned. "If we can get people to learn provisions of the law in time to persuade states to implement it, then we have a better than even chance to preserve the law."

Referring to the Forand approach, he said: "The other program being presented promises something for nothing. There is no such thing.

"Before it is through it will cost $2.5 billion a year or be an inadequate program or be an adequate program for a limited number of people. The present program can be made to work for all those who need it at half the cost."

Sen. Kerr said the present program is a complete one, applicable to every person in the U.S. over 65 who is unable to provide health care for himself in the states that take advantage of the plan. "I cannot see justification for a health care program paid for by taxes for retired persons of ample means," he declared. "I believe a medical care program if made available to citizens by taxation, should not be only on wage earners and employers, but on all citizens, and benefits determined by states.

"I think the time is now here for every American who believes in preservation of basic freedom and basic principles of states rights to put their backing behind individual states for health care," he said.

Coates & Raines General Agency Bought By Fund

The Coates & Raines general agency of Little Rock has been purchased by Fireman's Fund. The agency has represented the Fund in Arkansas since 1880. As of May 1, the facilities of Coates & Raines and the personnel will constitute a multiple line branch office of the Fund in Little Rock, with James Coates Sr. as manager, and James Coates Jr., Sam Raines and Gordon Price as assistant managers.

Coates & Raines is one of the oldest general agencies in the U. S. It was started in 1877. Today the general agency represents six companies, and it has 300 sub-agents.

Rise In Insured Drivers In N. J. Auto Accidents

In his annual budget message, Gov. Meyner of New Jersey revealed that the percentage of insured persons involved in accidents on the state's highways has been steadily rising. Of the 179,087 involved in 1959, close to 85% were insured, while in 1960, of 201,014 involved, 85.5% were covered.

The security responsibility division estimates that there will be 210,000 accidents this year with 86.1% insured, and 215,000 in 1962 with 87% covered.

The UJF had 3,847 eligible claims in 1959 of which 268 were settled for $332,497, while 500 judgments for $782,452 were paid. In 1960 there were 4,810 eligible claims, with 550 settled for $790,565, and 596 judgments of $849,789.

General Of Seattle, Musser Of Oregon Clash Over Rate Cut

A filing for a 10% reduction in automobile BI, PDL, and PHD rates in Oregon by General of Seattle has been rejected by Commissioner Musser, but General has notified agents that it is going ahead with its new rates because the commissioner failed to act on its filing within the 30-day maximum provided in the insurance code.

The company asked for an injunction against Mr. Musser's order that the new rates not be used, but this was denied Jan. 30 in superior court. Mr. Musser has told General he will hold a hearing on the filing at Salem March 2, and that pending the results of the hearing General is not to use the new rates, which were officially submitted to the department Dec. 6. Mr. Musser said General failed to comply with his request for information to support the filing. The department has rejected various filings submitted by auto companies since the National Bureau safe driver plan was introduced last year.

Selected Risks Shows Value Of Electronics To Smaller Insurer

By JOHN J. SMITH,
Data Processing Manager,
Selected Risks of Branchville, N.J.

Selected Risks of Branchville, N. J., was founded in 1926, mainly to write automobile insurance in the northern New Jersey rural areas. Over the years, our writings have been broadened to include multiple fire and casualty lines. We now operate in New Jersey, Pennsylvania, Maryland, Delaware and District of Columbia, through approximately 500 independent agents. Our gross writings for 1960 were close to $14 million, of which $10.5 million was automobile business.

In 1957 it became quite apparent that with the steady growth in our business and our consequent desire to adapt more of the manual operations of the business to a machine operation, we would have to increase the size of our IBM department. We could have acquired more of the type of equipment we then had and trained more operators, but doing this would only have solved our immediate needs, and in a short time we would have been faced with the same problem. In addition, floor space would have been at a premium.

It was decided to explore the electronic computer field to see if this would provide a solution. The company was already using IBM equipment and management decided to look to this manufacturer for the type of computer best suited to our needs, since following through with IBM would minimize the effects of changeover.

Early Studies

I attended some of the seminars conducted by IBM to acquaint myself thoroughly with the available types of computers. These seminars, and conferences with IBM representatives and our company management, led to the decision to investigate the potentials of the 305 RAMAC. The IBM representative and I went over our entire machine accounting operation. We could see definite potential savings in several of our machine operations through the use of the 305, but not enough to justify its cost. We then looked into other phases of our business and decided to undertake the electronic rating, coding and printing of policies involving one and two private passenger cars. These comprise the bulk of our business.

Written Proposal Studied

In May, 1958, IBM presented a written proposal to management for the installation of a 305 RAMAC. After further study and deliberation, this was accepted by the company.

Since the first function to be programmed on the 305 was to be policy preparation, a key man from our underwriting department was chosen to attend programming school with me, even though he was not going to be used in this capacity. This move proved to be worthwhile because it gave him a good concept of the 305, and made it possible for him to understand the various problems involved in programming. Later in the year, two more men were sent to programming school, and one of them was subsequently chosen to be a full time programmer.

Program Starts

In January, 1959, our programming began. We had one full time programmer, the able guidance of an experienced IBM programmer two days a week, and the part time guidance of our underwriter who helped us through rating and coding. I devoted about 50% of my time to the project. By May, 1959, we had our program written, tested and "de-bugged" and had started on further programming which relieved the overload on our punch card equipment.

The cost of physical installation was approximately $10,000, but not all of this amount could actually be charged to the 305 RAMAC, since we had previously decided on moving our punch card installation from the second floor to the basement, due to sup-

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La. High Court Interprets Substitute Auto Provision

Louisiana supreme court, in Fullilove vs U. S. Casualty, in which Southwestern Fire & Casualty was the appellant, has interpreted the "temporary substitute automobile" provision of the automobile liability policy. The court held that the insured automobile which had in fact been used during the course of the day by the wife of the insured in going to and from work, had not been withdrawn from normal use because of its breakdown, repair, servicing, loss or destruction, even though it had not been used by the insured because of the fact that it had bad tires. The contention was made that the term "withdrawn from normal use" did not mean withdrawn from "all normal use" and that the fact that the car was actually in use played no part in the consideration of the case. The court concluded that inasmuch as the vehicle had in fact been used on the day of the accident, it was in normal use and that a vehicle must be withdrawn from "all normal use" so as to bring into play the provisions covering the temporary substitute clause of the policy.

The decision overturns a previous unfavorable finding against Southwestern F. & L. in the appellate court and trial court.

Counsel for plaintiff was Booth, Lockhard, Jack & Pleasant, Shreveport. Counsel for defendant was P. A. Bienvenu of Bienvenu & Culver, New Orleans.

Chicago Board Holds 112th Annual Meeting

A majority of the agency membership of Chicago Board of Underwriters were on hand for the 112th annual meeting last month to learn of progress made during the past year. Agency membership increased more than 20% and a fresh approach to the education program has been inaugurated. Herman Bartholomay Jr., Bartholomay & Clarkson, was reelected president. Sanford Lederer, Stewart, Keator, Kessberger & Lederer, is vice-president and E. J. Clements, Marsh & McLennan, is treasurer.

Newly elected directors are Richard E. Byrne, Byrne, Byrne & Co.; John J. Dwyer, R. W. Hosmer & Co.; John J. Schmitz, Critchell-Miller, and Hamilton Loeb Jr., Eliel & Loeb.

Eugene F. Gallagher continues as manager and secretary.

La. Approves Deviations On Homeowners And CDP

The marine and inland marine division of the Louisiana department has approved a 15% deviation on homeowners for United Security and a renewal of the same deviation for Badger Mutual, Lititz Mutual and Assurance of America. The latter approval is for A and B forms only.

Lynn Mutual and Middlesex Mutual were granted 15% deviations on the CDP. Also approved was a filing by General of Seattle to permit writing of valuable personal articles by endorsement to homeowners with no change in rates.

Plaintiffs Make Gain

In the 17 personal injury cases decided in Chicago courts last week, defendants won seven and plaintiffs 10, bringing the total since Sept. 1 to 137 decisions for defendants, 121 for plaintiffs, while 15 were deadlocked.

Juries last week awarded $97,622 in damages, making the total since Sept. 1, $1,184,822. The figures and summaries of the decisions are compiled by Cook County Jury Verdict Reporter.

Last week the largest award was $40,000 in a dram shop case, and there were two decisions of $15,000 each on rear-end collisions, one for a back injury and one for whiplash.

Davis, Dorland & Co., New York brokerage, has named Maxwell Stark assistant secretary. Mr. Stark, who is office manager, has been with the firm 33 years.

Preferred Of Michigan Advances Curlee To V-P

Alfred T. Curlee has been elected vice-president of Preferred of Grand Rapids and a director of the subsidiary, Southwestern Indemnity.

Mr. Curlee is vice-president of Southwestern Indemnity and a member of the company's executive committee. He joined Preferred early last year as assistant vice-president and production manager. Later he was appointed director of agencies of both companies and will continue in that capacity, but will also assume other executive duties as well.

Before joining Preferred, Mr. Curlee was with Royal-Globe group for 10 years.

Mitchell-Fry agency has been formed at Greensboro, N. C. by merger of J. Elwood Mitchell and Fielding L. Fry agencies. Equal owners of the new firm are Roger B. Blackwood and J. Elwood Mitchell Jr. of the Mitchell agency, and R. Reed DeVane and J. Simpson Schenck Jr. of the Fry organization.

1960 Holdings Of Insurance Securities Trust Fund Shown

Insurance Securities Trust Fund of San Francisco as of Dec. 31, 1960 had investments in insurance stocks totaling $484,193,856—$345,967,644 in fire and casualty companies and $138,226,212 in life companies.

The fund owns 9,129,235 shares of stock in 93 life and fire and casualty companies. The largest holdings are in Aetna Casualty, Continental Casualty, Continental Insurance, Hartford Fire, Home, U.S.F.&G. and Aetna Life.

The significant role Insurance Securities plays as a stockholder of leading insurers can be seen from the tabulation below. In the table following the name of the insurer is the number of shares of stock held and the market value of the holdings as of Dec. 31.

Insurer	Shares Owned	Dec. 31 Market $
Aetna Cas.	228,046	21,778,393
Aetna Fire	100,000	9,200,000
Aetna Life	213,380	20,857,895
Agricultural	31,303	982,132
Am. Equitable, N.Y.	30,000	1,275,000
American General	79,629	2,458,545
American	414,900	11,280,094
Am. Motorists	72,762	1,346,097
Am. National	145,146	1,115,810
American Reins.	10,200	425,850
Bankers & Shippers	15,000	832,500
Ben. Stand Life	118,359	1,864,154
Boston	100,000	3,137,500
Business Men's Assur.	85,413	3,651,406
Cal.-West. States	125,641	6,219,230
Commonwealth Life	152,945	3,250,081
Conn. General Life	17,280	6,937,920
Continental Assur.	69,140	12,618,050
Continental Cas.	313,841	27,618,008
Continental	414,743	23,432,980
Employers Reins.	42,900	2,616,900
Federal	261,600	15,074,700
Fidelity & Deposit	90,000	4,410,000
Fireman's Fund	283,413	15,410,582
Franklin Life	51,034	3,955,135
General Re	1,495	183,138
Glens Falls	130,000	5,135,000
Globe & Republic	10,000	216,150
Govt. Employees	34,769	3,024,903
Great American	266,355	13,234,514
Gr. Southern Life	6,450	451,500
Gulf	59,919	2,231,983
Gulf Life	114,263	2,199,563
Hanover	50,000	2,156,250
Hartford Fire	445,052	25,868,648
Hart. Steam Boiler	40,000	3,660,000
Home	344,120	21,787,098
Ins. Co. of No. Am.	162,110	12,441,943
Interstate L. & A.	41,400	333,788
Jeff. Stand. Life	82,640	3,574,180
Jersey Ins.	15,000	517,500
K. C. F. & M.	10,000	362,500
K. C. Life	3,217	4,342,950
Liberty Life (voting)	31,703	467,619
Lib. Life (non-voting)	31,976	471,646
Liberty Natl. Life	60,975	3,658,500
Life & Cas.	134,426	2,150,816
Life of Va.	50,018	2,826,017
Lincoln Natl. Life	32,510	7,493,555
Maryland Casualty	207,293	7,630,974
Mass. Bonding	38,525	1,512,106
Mass. Indem. & Life	40,000	1,510,000
Mass. Protec.	54,465	3,798,934
Merch. & Mfrs.	12,500	176,562
Merchants Fire, N.Y.	120,000	4,230,000
Monumental Life	18,480	1,057,980
National L.&A.	55,445	6,348,452
Natl. Union Fire	80,000	3,250,000
New Hampshire	42,000	2,215,500
N. Y. Fire	20,000	635,000
North River	80,000	3,340,000
Northern, N.Y.	53,119	2,224,358
Nw Natl.	25,250	2,247,250
Nw Natl. Life	14,330	1,347,020
Ohio Casualty	139,225	3,411,012
Pacific Employers	38,000	845,500
Pacific Indem.	72,000	2,331,000
Pacific, N.Y.	20,000	1,105,000
Pacific Natl. Life	52,065	800,499
Peerless	55,248	1,229,268
Phoenix, Conn.	76,635	6,399,022
Provident L.&A.	20,730	1,710,225
Prov. Washington	36,970	707,051
Reliance	83,966	4,891,043
Republic	45,000	2,632,500
St. Paul F.&M.	238,387	14,660,800
Seaboard Surety	50,000	2,000,000
Security, New Haven	43,593	2,375,818
Security L.&T.	3,525	183,300
South Carolina	5,800	131,950
Southland Life	14,060	1,251,340
Southwestern Life	132,627	6,996,074
Springfield F.&M.	190,236	6,622,591
Standard Acc.	44,250	2,124,000
Travelers	194,170	18,106,352
Trinity Univ.	50,000	1,575,000
United, Chicago	33,198	1,062,336
U. S. F. & G.	521,399	21,800,996
U. S. Fire	180,470	5,504,335
U. S. Life	66,746	2,845,048
Washington Natl.	40,465	1,841,157
Westchester	100,000	3,362,500
West Coast Life	28,990	927,680
Western Cas.	65,000	2,697,500

Royal-Globe Shows Underwriting Gain On Higher Writings

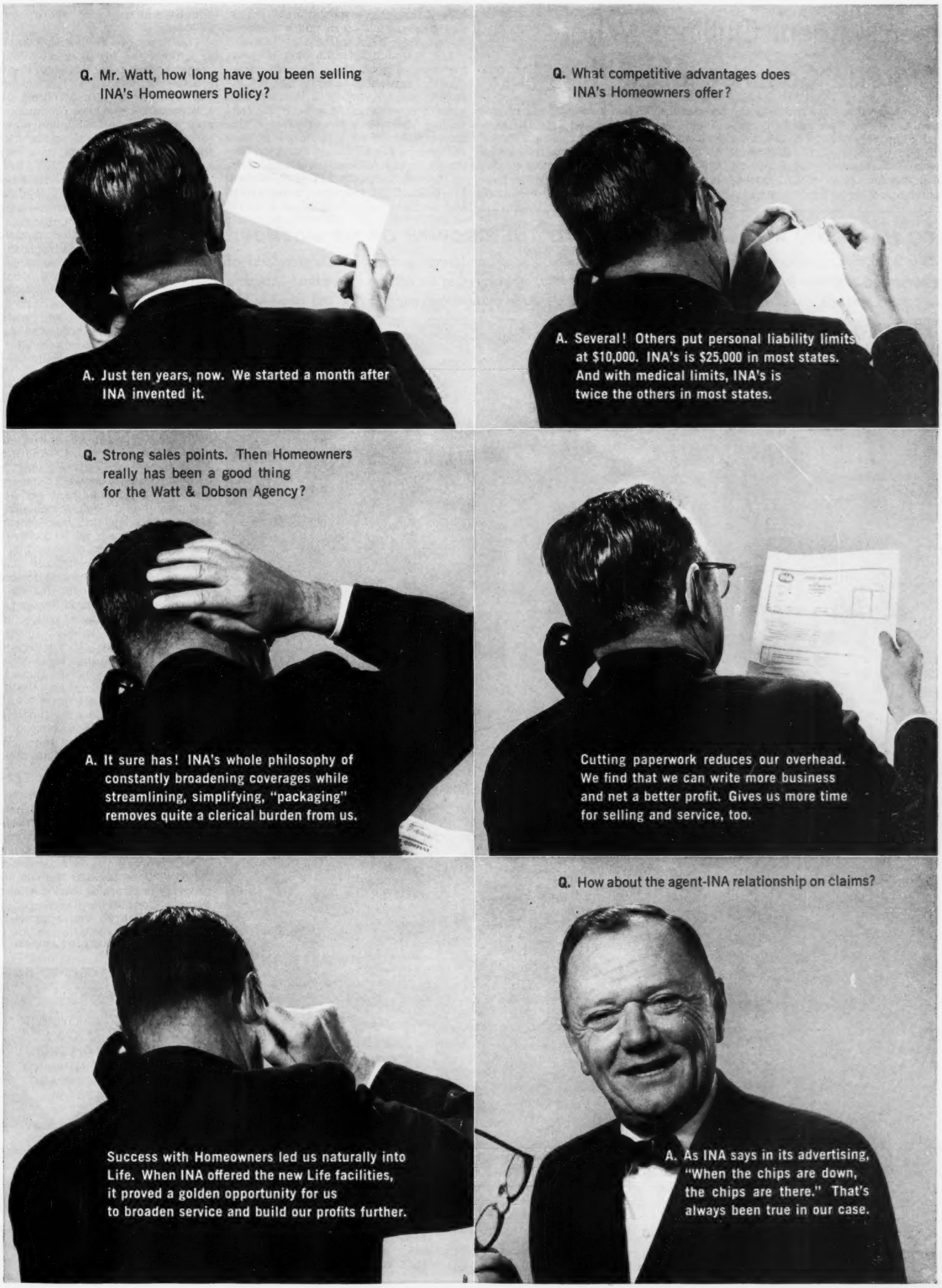
Royal-Globe had an underwriting profit of $2,593,521 in 1960 compared with a profit of $4,807,999 in 1959. Premiums written increased by $10,221,746 to $244,383,309. Policyholders' surplus was $222,657,399, up from $221,315,117 in 1959.

The group had an underwriting gain of $1,600,712 on fire and marine operations compared with a gain of $7,474,857 in 1959. Written premiums were $109,209,894. Unearned premium reserve decreased $1,025,748. Incurred to earned loss and adjustment expense ratio was 58.20 and the ratio of other underwriting expenses and taxes incurred to written premiums was 40.72, compared with 52.39 and 40.96 in 1959, respectively.

In casualty, the group had an underwriting gain of $992,809 against a loss of $2,666,858 in 1959. Written premiums were $135,173,415 with a $2,546,047 rise in unearned premium reserve. Incurred to earned loss and adjustment expense ratio was 65 and the ratio of other underwriting expenses and taxes incurred to written premiums was 33.60, compared with 67.85 and 33.43 in 1959, respectively.

For all lines, the composite ratio was 98.70 in 1960 compared with 97.56 the year before.

Investment income was up by $645,361 to $14,689,531 in 1960. Net operating profit was $17,283,052, a decrease of $1,569,117 from 1959. Assets at the year end were $566,082,071.


Q. Mr. Watt, how long have you been selling INA's Homeowners Policy?
A. Just ten years, now. We started a month after INA invented it.
Q. What competitive advantages does INA's Homeowners offer?
A. Several! Others put personal liability limits at $10,000. INA's is $25,000 in most states. And with medical limits, INA's is twice the others in most states.
Q. Strong sales points. Then Homeowners really has been a good thing for the Watt & Dobson Agency?
A. It sure has! INA's whole philosophy of constantly broadening coverages while streamlining, simplifying, "packaging" removes quite a clerical burden from us.
Cutting paperwork reduces our overhead. We find that we can write more business and net a better profit. Gives us more time for selling and service, too.
Success with Homeowners led us naturally into Life. When INA offered the new Life facilities, it proved a golden opportunity for us to broaden service and build our profits further.
Q. How about the agent-INA relationship on claims?
A. As INA says in its advertising, "When the chips are down, the chips are there." That's always been true in our case.

PACKAGE POLICY PREDICTIONS

General Agent Outlines What's In Store In Commercial Field

Predictions of things to come in the commercial package policy field, occasionally applying only to Texas, were spelled out by Forrest M. McPhaul, marine and surplus line manager at San Antonio for Quirk & Co., during the casualty and surety meetings sponsored by Texas Assn. of Insurance Agents at both Houston and Dallas.

Among the predictions enumerated by Mr. McPhaul were a narrowing of the present wide cost variance among essentially the same coverages, a public and institutional property form embracing both real and personal property of those classes described in the title of the form, a special motel policy, and a basic multi-peril policy designed for commercial apartment projects.

Mr. McPhaul said the past 10 years has seen a battle between two dominating insurance marketing philosophies. Underlying this controversy, but not so apparent, has been the continuing struggle between diverse elements among companies comprising the capital stock agency markets. Determined not to lose their dominance of the commercial business by default to others, these elements, both bureau companies and independents alike, have created chaos, confusion, and consternation—and nowhere more so than in Texas.

The prize of this battle, comprising as it does, the fire and extended coverage premium dollar on the mercantile contents class, is rich indeed. For without the great volume of fire and extended coverage premium available as the very foundation on which to build a commercial package policy, there would have been no dissension in the industry.

Many of the developments have occurred with such rapidity, and within such a short period of time, insurance men, both company men and agents, have been often unable, off hand, to put various contracts in their proper place, Mr. McPhaul said. Mute testimony to this state of affairs is evidenced by the fact that today in Texas, the agent is faced with sometimes as many as four different choices of all-risk contracts on the same stock of merchandise, with each contract providing essentially the same coverage.

Variance In Cost

While each of these contracts differ in but minor details with respect to coverage, there can be, and often is, a great variance in cost. Additionally, there is now, in Texas, a lengthy list of commercial package policies available, the most prominent policies being: commercial block, merchants property, camera and musical instruments dealers, equipment dealers, retail dealers, jewelers block, furriers block, office contents, physicians and surgeons equipment floater, fine arts dealers policy and stamp and coin dealers floater—and last but certainly not least, the merchandise floater policy, in conjunction with a standard fire policy.

Accordingly, Mr. McPhaul said, his first forecast of things to come is that to a large extent this situation of wide cost variance among essentially the same coverages shall narrow and yet, there should remain a legitimate available device for the pricing of those risks which do not lend themselves to average rating because of abnormal exposure.

Strife Almost Over

The strife between the independents and the organization companies with respect to rates, forms, and rules of commercial package coverage on personal property is almost over, he stated. This is because the commercial property program of Inter-Regional Insurance Conference has been filed in most jurisdictions and approved in a great number, including Texas as a

(CONTINUED ON PAGE 35)

Cost Less, Lapse Lower, On Life From Local Agents

The first year lapse ratio on life business secured from independent agents by Life of North America is approximately 18%, Edmund L. Zalinski, executive vice-president, told New York City Life Underwriters Assn. This is, however, substantially less than the first year lapse rate of business from agents who devote all their time to selling life insurance for the company.

Mr. Zalinski said that all-lines selling by life agents is inevitable. It is also beneficial for the producer and the client. Life business from independent agents costs the company less to acquire than from life agents. Another compelling argument from the viewpoint of the company is the high cost of building life-only agencies. All-lines agencies spread the costs of agency building over several lines.

One reason for the lower lapse ratio on business from independent agents, he said, is that they know their clients well and do not oversell the product.

The company benefits also from diversification of risks. This principle has equally beneficial effects in the investment area where, as a result of all-lines underwriting, company fleets may be able to shift from bonds to equities, and the reverse, with greater freedom in order to take maximum advantage of market conditions.

More than 170 life companies now are affiliated with fire-casualty groups, and 21 of 25 top fire and casualty fleets are in the life business. While 16% of the total life business of the country is produced by companies so affiliated, new life production by these companies has grown 33% in two years compared with a growth rate of 11% for the life business as a whole.

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Not Low-Paying Business? Reader Has His Doubts

A recent article in THE NATIONAL UNDERWRITER entitled "Insurance Is Not Low-Paying Business According To OASI Data, Researcher Says" has prompted one reader to express doubts as to this assertion.

The reader, who chose to remain anonymous, bases his argument upon the statement of the researcher quoted in the story (Theodore Bakerman, director of bureau of research of Duquesne University's school of business administration) that the median annual wage for agents and brokers was $5,000.

Attaching a rather full break-down of "mobile building and construction trades council wage rates," the reader's argument is succinct, but nevertheless explicit:

"Agents: Median wage, $5,000. Work all day, every day—holidays and nights if needed. Doorbell ringing. No overtime and no 40-hour week. No nothing.

"Carpenter foreman: $4.30 an hour. Forty hour week. $172 each week, $8,600 a year—plus over-time. No office rent. No equipment. No salaries. No advertising. No civic club dues. No nothing out."

The prosecution rests.

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Pa. Liability Bills

A compulsory automobile insurance bill has been introduced in the Pennsylvania legislature. Another bill proposes that liability and collision policies sold in Pennsylvania shall contain certain provisions against cancellation of policies and prohibition of non-renewal without 30-day notice prior to expiration.

Another bill proposes that in cases involving persons killed in accidents, the amount of damages recoverable by the personal representative of decedent shall not be diminished by the probable cost of the decedent's own maintenance during the time he would likely have lived except for the accident. A fourth measure provides for determination and effect of comparative negligence in tort actions and eliminating contributory negligence as a bar to recovery.

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Join Controllers Unit

Controllers Institute of America has elected to membership J. Howard Ditman, New York Life; Frank A. McConnell, Teachers Insurance & Annuity; and James W. Harding, Kemper group. The institute comprises controllers and finance officers from insurance, banking, utilities, transportation and other businesses.

Spitteler Executive V-P Of Clough Firm

Hugh A. Spitteler has joined the reinsurance brokerage firm of Herbert Clough Inc., New York affiliate of General Re.

As executive vice-president, he will be in charge of developing and servicing the reinsurance brokerage business of the Clough organization.

Mr. Spitteler received his early training with Sedgwick, Collins (Agencies) in London. For the past five years he has managed that firm's Canadian affiliate, Dale, Sedgwick in Toronto.

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Great American Names Hastings At St. Louis

Great American has appointed W. R. Hastings field supervisor at St. Louis. He has been a casualty underwriter at Denver and a field man operating out of Albuquerque.

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The **Ralph C. Wilson** agency of Detroit has promoted Edward C. Bartz and Donald V. Glossop to vice-presidents.

Syracuse C.&S. Club And Field Club Merged

Insurance Council of Syracuse has been formed by merger of Casualty & Surety Club of Syracuse and Insurance Field Club of Syracuse.

At its first meeting the council elected Gerald K. Heidler, Maryland Casualty, president; David Tobin Jr., Security-Connecticut, 1st vice-president; Harold T. Williams, U.S.F.&G., 2nd vice-president; Harvie D. Manss, Hartford Fire group, treasurer, and George F. Christie, American Surety, secretary.

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$1 Million Reinsurance In 9 Months

Hardware Mutuals of Stevens Point reports its reinsurance department passed $1 million in premium in its first nine months of operation. The department was organized in May, 1960, and wrote its first business in August.

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Davis In Eastern Pa.

Beacon Mutual Indemnity has appointed Lawrence C. Davis agency supervisor for eastern Pennsylvania.

Give Rules For PR, Education Awards

What public relations activities are considered in awarding the Bowen PR trophy have been clarified by National Assn. of Insurance Agents. The NAIA executive committee also has approved a set of judging prerequisites for the new L. P. McCord education trophy sponsored by the Florida association.

The present Bowen PR award judging committee, headed by David A. North of New Haven, past president of NAIA, prepared a set of guides which have been adopted by the executive committee and will form the basis of evaluation of future entries in this contest.

The clarified rules fall into four categories, and are listed in the order of their importance:

1. Telling the public about insurance. This is the general subject of insurance, not any specific line, and embraces such things as publicity about the business of insurance through news releases, brochures, and institutional advertising; information about insurance legislation, both to legislators and the general public; publicity about changes in forms or types of coverages; and publicity about unusual situations such as storms, conflagrations, or other catastrophes, with special reference to the part the insurance industry is playing in relation to it—and its economic significance.

2. Participation with the public in civic affairs. This embraces the many usual activities of insurance associations in fire prevention, traffic safety, industrial safety, and such allied affairs. Not only should such activities be carried on, but the public should be made aware of the part the insurance association is doing in these fields for the betterment of the community and society in general.

Teaching The Public

3. Teaching the public about insurance. This covers such matters as providing teachers, or lecturers, for adult education classes and secondary schools; maintaining and using a speaker's bureau for the above, and giving talks to organizations outside formal school groups, such as civic clubs, and preparing and distributing brochures on specific types of insurance for school boards, contractors, manufacturers and municipalities.

4. Keeping the public aware of what insurance people are doing. News items about insurance people and organizations do not create broad public relations, but do keep the public informed of the fact of the existence of the business, its personnel, its associations and their activities. Therefore they have some PR value.

The L. P. McCord trophy will be presented annually by NAIA to the state association, exclusive of Florida, which during the preceding year has provided its members with the best opportunity to broaden their knowledge of the insurance profession. The award was established to stimulate more effective insurance education effort by state associations.

An original trophy will be held for one year by the winning state association whose name will be inscribed on it. A smaller replica of the trophy, to be retained permanently by the winning state, will also be provided by the Florida agents.

Give Basis Of Judging

The basis of judging the winner, suggested by the Florida association and approved by the NAIA executive committee, will be sponsorship of the schools, whether exclusively by the state association or in cooperation with other groups; number of schools held each year; number of hours of instruction; the extent and effectiveness of the method used to make the schools available and easily accessible to all members of the association; the comprehensiveness of the instruction as determined, to a major degree, by a review of the outlines and materials provided each student; total numerical attendance at each school and for the year, and percentage of member agencies represented at each school.

The trophy is named in honor of L. P. McCord of Jacksonville, who for nearly 15 years served as chairman of the NAIA education committee and who upon his retirement from that position in 1953 was named dean emeritus of NAIA. Mr. McCord was first honored in 1940, near the beginning of his educational career, when he received the coveted Woodworth memorial award. Mr. McCord is past president of the Florida association and an honorary lifetime member of its board.

Beytebiere Joins Zurich

Zurich has appointed Charles J. Beytebiere senior casualty underwriter at Seattle. He has been with General of Seattle for five years and before that he was an underwriter with the Armstrong general agency in Seattle.

The Senate has passed a resolution authorizing $450,000 for the activities of its anti-trust and monopoly subcommittee in the next 12 months.

AIU Progress Is Noted Despite World Changes

Despite upheavals in many parts of the world and confiscation of its business in Cuba, American International Underwriters in 1960 continued the substantial underwriting progress that marked 1959.

In his annual report, William S. Youngman, chairman of AIU, noted that a substantial number of key personnel formerly assigned to Cuba are carrying on their work elsewhere in the organization.

Venezuela had a financial crisis during the year, Mr. Youngman noted. Many insurers were hard hit because they had been writing credit guaranty insurance. The losses exceeded $100 million and were comparable to those suffered in the San Francisco fire and earthquake. Fortunately, AIU had made a policy decision to avoid writing or reinsuring this credit guaranty business, and the organization is in a strong position in Venezuela.

Other Developments

In the rest of the Caribbean area and of Latin America, AIU has continued to make a strong showing, Mr. Youngman reported. He believes that a marked improvement is under way in the near and middle East and that AIU is in a good position to share in this trend.

Mr. Youngman noted substantial progress in Europe. New AIU managements in France, England and Germany have been a contributory factor. France has straightened out some of its internal problems, and England has begun to improve both the volume and quality of its business. In Germany, the AIU office that dealt with the American military and that which operated in the local economy have been brought together to improve the organization's position in both markets.

In the U.S., Mr. Youngman reported, there was some loss of volume in the highly competitive New York brokerage home-foreign field for a variety of reasons, such as non-recurrence in 1960 of some large three-year premium business and refusal to compromise inadequacy of rates.

Selected Risks Has Underwriting Profit

Selected Risks of Branchville, N. J., had an underwriting profit before taxes of $189,218 in 1960 compared with a profit of $157,003 in 1959. Premiums written, including reinsurance, rose by $1,153,842 to $13,703,682. Policyholders surplus increased by $482,392 to a new high of $5,136,398.

Ratio of losses and loss expenses to premiums earned was 63 and expense ratio to premiums written was 34.4 compared with 62.8 and 34.2 in 1959. Investment income before taxes was $442,645, up from $365,173 the year before. Admitted assets increased by $2,216,280 to $18,571,958.

The company declared an extra dividend of 10 cents a share in addition to the usual quarterly payment of 30 cents. Both were paid Feb. 1.

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Cunningham Is Director

A. P. Cunningham Jr., vice-president and secretary of Audubon of Baton Rouge, has been elected a director. He entered the business in his father's local agency at Dallas. For 18 years he was with America Fore in Louisiana as underwriter and field man. He went with Audubon in 1951 as assistant secretary in charge of agency production.

Conventions

Feb. 13-15, Health Insurance Assn., group insurance forum, Biltmore Hotel, New York City.

Feb. 22-24, Michigan agents, midyear, Statler-Hilton Hotel, Detroit.

March 2-4, Federation of Insurance Counsel, midwinter meeting, Royal Orleans Hotel, New Orleans.

March 6, Cleveland I Day, Manger Hotel, Cleveland.

March 9-10, Ohio State University Insurance Conference, annual, Columbus, Ohio.

March 9-11, Tri-State mutual agents of Pennsylvania, Maryland & Delaware, annual, Penn Harris Hotel, Harrisburg.

March 13-15, National Assn. of Mutual Insurance Agents & Texas mutual agents, combined midyear, Shamrock-Hilton Hotel, Houston.

March 13, Rhode Island agents, midyear, Sheraton-Biltmore Hotel, Providence.

March 14, New Jersey agents, midyear, Cherry Hill Inn, Haddonfield.

March 14, Pittsburgh I-Day, Hilton Hotel.

March 17-18, Mississippi mutual agents, annual, Edgewater Gulf Hotel, Edgewater Park.

March 23-24, Conference of Mutual Casualty Companies, underwriting conference, Conrad Hilton Hotel, Chicago.

March 23-25, Southern Agents Conference of NAIA, annual, Robert Meyer Hotel, Jacksonville, Fla.

April 5-7, National Assn. of Independent Insurers, workshop, Edgewater Beach Hotel, Chicago.

April 5-7, Pacific Coast Advisory Assn., annual, Biltmore Hotel, Santa Barbara, Cal.

April 9-11, Florida mutual agents, annual, Galt Ocean Mile Hotel, Ft. Lauderdale.

April 9-11, Midwest Territorial Conference of NAIA, annual, LaSalle Hotel, Chicago.

April 9-11, New York mutual agents, annual, Hotel Syracuse, Syracuse.

April 9-13, National Assn. of Surety Bond Producers, annual, St. Francis Hotel, San Francisco.

April 11-12, Arkansas mutual agents, annual, La Fayette Hotel, Little Rock.

April 14, National Assn. of Insurance Commissioners, unauthorized insurance committee, Sherman Hotel, Chicago.

April 16-18, Alabama mutual agents, annual, Town House Motel, Mobile.

April 16-18, Eastern Agents Conference, annual Sheraton Hotel, Philadelphia.

April 17-18, Iowa mutual agents, annual, Savery Hotel, Des Moines.

April 17-18, Ohio mutual agents, annual, Neil House Hotel, Columbus.

April 17-19, National Assn. of Insurance Agents, midyear, Philadelphia.

April 19, Chicago I-Day, annual, Conrad Hilton Hotel.

April 20-21, Missouri mutual agents, annual, Hotel Governor, Jefferson City.

April 20-21, Southern Claims Conference, annual, Dinkler-Plaza Hotel, Atlanta, Ga.

April 23-27, American Assn. of Managing General agents, annual, Camelback Inn, Phoenix.

April 27, Insurance Rating Bureau of District of Columbia, annual, Army & Navy Club, Washington, D. C.

April 27-28, National Assn. of Casualty & Surety Agents, midyear, Sheraton-Belvedere Hotel, Baltimore.

May 3-5, Casualty Actuarial Society, midyear, Concord Hotel, Kiamesha Lake, N. Y.

May 4-5, Central Claim Executives Assn., annual, Arlington Hotel, Hot Springs, Ark.

May 4-5, Conference of Mutual Casualty Companies, claim conference, Conrad Hilton Hotel, Chicago.

May 5-6, Louisiana agents, annual, Edgewater Gulf Hotel, Edgewater Park, Miss.

May 5-7, Montana mutual agents, annual, Diamond S. Ranchotel, Boulder, Mont.

May 7-9, Alabama agents, annual, Russell-Erskine Hotel, Huntsville.

May 7-9, Virginia & D. C. mutual agents, annual, Williamsburg Inn, Williamsburg.

May 7-10, New York State agents, annual, Syracuse Hotel, Syracuse.

May 8-10, Health Insurance Assn., annual, Biltmore Hotel, New York City.

May 8-11, National Assn. of Insurance Brokers, annual, Fairmont Hotel, San Francisco.

May 9, Assn. of Casualty & Surety Companies, annual, Waldorf-Astoria, New York City.

May 9, Wisconsin agents, midyear, Hotel Loraine, Madison.

May 12-13, Mountain States mutual agents, annual, Harvest House, Boulder, Colo.

May 12-13, Oklahoma agents, annual, Biltmore Hotel, Oklahoma City.

May 14-15, Nebraska mutual agents, annual, Town House, Omaha.

May 14-16, Iowa agents, annual, Savery Hotel, Des Moines.

May 14-16, Pennsylvania agents, annual, Bedford Springs Hotel, Bedford.

May 14-17, Insurance Accounting & Statistical Assn., annual, Biltmore Hotel, Los Angeles.

May 16-19, National Assn. of Independent Adjusters, annual, Sheraton Towers Hotel, Chicago.

May 18-19, Arkansas Agents, annual, Arlington Hotel, Hot Springs.

Home To Vote On Stock Dividend

Consideration will be given to payment of a 10% stock dividend by Home when its directors meet Feb. 13. President Kenneth E. Black has written stockholders that the proposed merger agreement of New Amsterdam Casualty into Home failed to get approval of the required two-thirds of the outstanding shares. It was in connection with that proposal that the 10% dividend was first proposed. It will be considered, however, even though the merger now has been abandoned.

Geldart, Kramer Advanced By Employers Liability

Employers Liability has named David E. Geldart assistant director of agencies for A&S sales. John R. Kramer has been appointed superintendent of underwriting in the middle department.

Mr. Geldart joined the group in 1948 and was in several underwriting and production capacities before becoming agency supervisor in the A&S department, his most recent position. Mr. Kramer, with the group since 1943, has been an underwriter at Pittsburgh and at Philadelphia.

Rudloff With Phoenix

Don F. Rudloff has been appointed special agent by Phoenix of Hartford group for southwest Texas. He will have offices with District Manager F. Hardie Miller in Houston. Mr. Rudloff is experienced in inland marine and has been in the agency business in San Antonio.

Friedlander Opens Agency

George H. Friedlander has opened his own agency in Nashville. He was associated with the Joe C. Carr agency there from 1955 to 1960. Before that he was with Hartford Accident as bond special agent in Tennessee, Kentucky and Ohio.

Fireman's Fund Insures Another Bounty Mutiny

Fireman's Fund is insuring another mutiny aboard the Bounty.

The company has written $2.5 million of coverage on a replica of the H.M.S. Bounty for the Metro-Goldwyn Mayer remake of the movie, Mutiny on the Bounty. The ship will be covered for $500,000 under a standard hull policy, and extra expense coverage of $2 million will indemnify M-G-M for any expenses arising out of loss or damage to the ship caused by a peril covered under the hull insurance. The latter protection is similar to the cast insurance written on movie productions.

The hull policy reads much the same as the one which covered the original Bounty when it sailed on its historical voyage for Tahiti in 1787: "Touching the Adventures and Perils, which we, the said Underwriters, are contented to bear and take upon us, they are of the Seas, Men-of-War, Fire, Lightning, Earthquake, Pirates, Rovers, Assailing Thieves, Jettisons. . . Restraints and Detainments of all Kings, Princes and Peoples . . ."

The ship was built in Nova Scotia specifically for the current movie, which is being shot at Tahiti. In command is Trevor Howard instead of Charles Laughton as Captain Bligh, and Marlon Brando has the old Clark Gable role of Fletcher Christian. Among the advantages the ship has over the original Bounty are two diesel engines, radar, deep freezes and luxury staterooms.

Hallgrimson Wash. Special

Western Pacific has appointed Frank Hallgrimson special agent at Seattle for southern King County, Pierce County and the peninsula area. In insurance since 1949, he has had experience with the Washington Insurance Examining Bureau and the Gould & Gould agency of Seattle. He has been with Western Pacific seven years as underwriting manager at Seattle.

When Agent Is Liable For Faulty Coverage

At the annual meeting in Cheshire of Connecticut Assn. of Mutual Agents, Frank Wagner, deputy of the state insurance department discussed the liability of agents for losses on which he has not effected proper insurance.

The law makes the agent personally liable for the performance of an insurance contract he places with an unlicensed company, Mr. Wagner said. However, it relieves the agent of that liability if the risk is placed through a licensed surplus line broker. A list of such brokers is available at the department on request.

Connecticut agents constantly are solicited by mail to place risks through surplus lines agents not licensed by the state. One agent did this. The company with which the risk was placed went into receivership. The agent settled with the policyholder for more than $5,000. Several other Connecticut risks were placed in the same company through licensed surplus line brokers, and those agents could not be held liable.

Connecticut Cases

Several Connecticut decisions bear on the agent's liability, Mr. Wagner noted. In one case decided by the supreme court an agent was notified by the insurer that it did not want to renew a workmen's compensation policy. The agent placed the policy with another company but was soon notified by it to pick up the policy since it was a poor risk. The agent tried to get back the policy but insured claimed she had misplaced it.

In the meantime, the insurer sent notice of cancellation to insured. The agent had a running account with insured, and during this time insured had sent the agent a check for $100, which was credited to her account. The agent tried to place the WC elsewhere. Before he could do so, a loss occurred. Insured sued the second company on grounds of defective notice, and joined the agent. Both company and agent were let out, he because he had made "a diligent effort" to place the risk.

In another case involving a woodworking risk, the agent, acting as a broker, agreed with new owners of the property to keep it insured. Before all of the policies could be properly endorsed to reflect the change in ownership, the property was totally destroyed. The court held that all but two of the policies were effective but that on two of them the agent was liable because of his agreement to keep the property insured.

Insured Laughs Last

An agent tried to sell a merchant burglary coverage. The merchant then experienced a burglary. The agent called him and twitted him about not having coverage. So the merchant bought it. But the application contained a warranty that there had not been a burglary on the premises within a specified time. When another burglary

(CONTINUED ON PAGE 30)

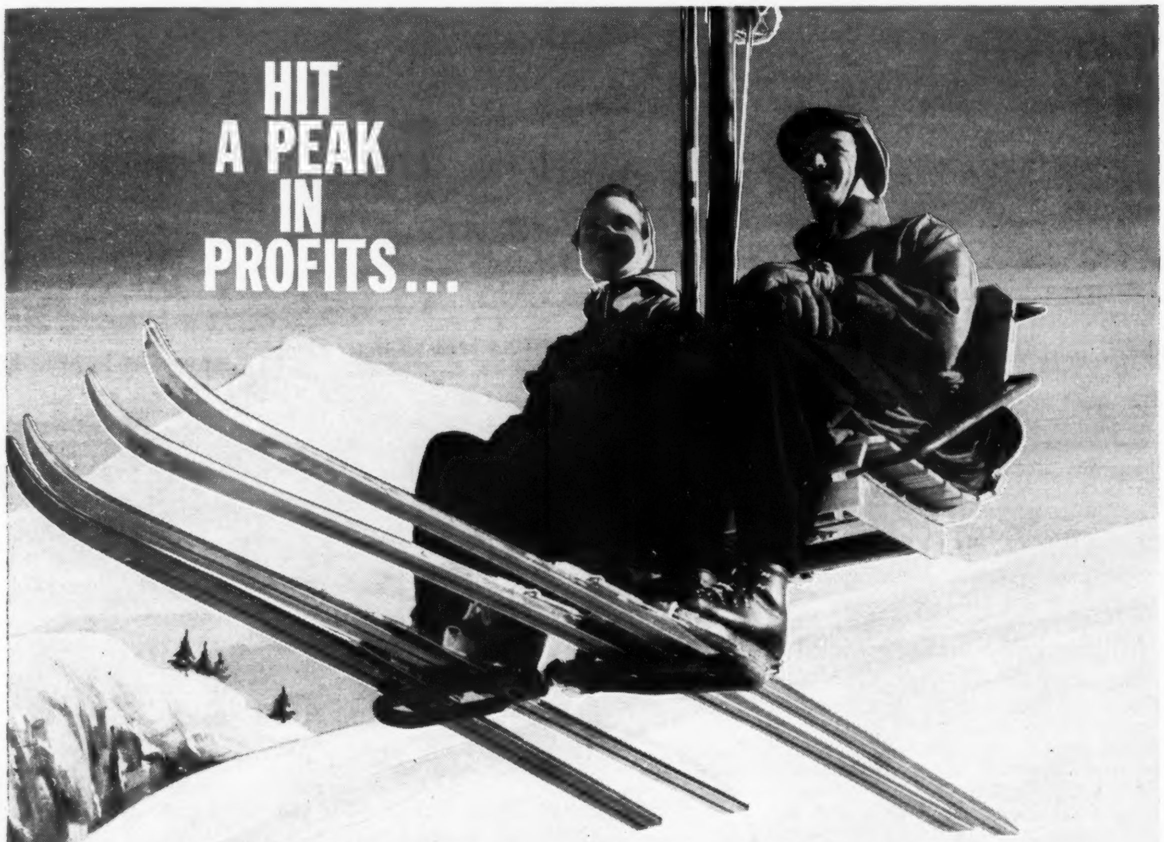
WC Benefits Upheld In 'Route Deviation' Case

The appellate division of the New Jersey superior court has ruled that "route deviation" did not disqualify an employe for workmen's compensation benefits. The lower courts and the compensation commissioner had dismissed a case involving employes of Bell Cleaners, a cleaning and pressing establishment on the Fort Dix (N.J.) military reservation.

It had been the custom for employes to take other employes home from Fort Dix to Trenton and Yardley, Pa. However, on Oct. 26, 1957, James E. White, an employe, took another employe home to Browns Mills, N.J., five or six miles south of Trenton, and was involved in a head-on collision.

The lower tribunals dismissed the compensation claim on the ground White had not been authorized to make this deviation in his regular route.

Pointing out that route deviation cases are legion, the appeals court declared that "by providing transportation in the company vehicles, employes were enabled to get to work on time in the morning and they enjoyed a means of getting home at night whenever they worked late. The arrangement was not entirely altruistic because it enabled the employer to keep personnel who might not otherwise put up with difficult problems of transportation." The court remanded the case for entry of an award on a stipulation of facts.



Agent Should Be Market Planning Key Man

(CONTINUED FROM PAGE 4)

ment, and must synchronize the sales facilities of the company with the capabilities of the agency.

Mr. Hays' prescription for ideal life company sales planning is also theoretically ideal for fire and casualty companies. But it is immediately apparent that the latter are hamstrung in attempting to follow it. No matter what approach a life company takes toward market planning, the life agent must fall in with the plan or else, since he is dealing with only one company. But, as indicated, the fire and casualty agent has a choice of companies, and the process of cooperating with company marketing departments becomes a maze of complications unless the agent decides to tie himself to one insurer.

Poses Dilemma

For one thing, each of his companies will differ widely or to some degree in its sales objectives in the agent's territory, in its underwriting practices, in its advertising and in every other phase of activity related to marketing. True, an agent could take what he regards as the best parts of each company's marketing program and develop the potpourri into a plan of his own, but in that case he would not be under specific sales management.

Obviously, this is a formidable problem for fire and casualty insurers in their market planning. A planned marketing procedure in insurance, as in any other business, must be a cohesive effort, starting with research, and proceeding through product design, pricing, packaging, and advertising to the final step where the salesman puts the product into the customer's hands. All of these separate steps are vital, but there can be no question that the ultimate step when the salesman goes into action on a planned basis is the most important of all.

If fire and casualty insurers cannot make their agents key figures in their marketing departments, they are not going to have a marketing program. What they will wind up with is a series of marketing suggestions for the agents to take or leave—as they always have.

Suggested Remedy

What is the solution? Obviously it is not coercion. Agents cannot and should not be made to participate. But they can be persuaded to do so, perhaps, if the individual fire and casualty insurer will reverse what appears to be the present approach to market planning. Instead of working from the inside out, they might consider working from the outside in.

After determining its own goals and its marketing potentials for reaching them, the company should immediately bring into the picture at the very inception of market planning the sales force which will determine the success or failure of any program. Obviously, the entire agency plant cannot be called into solemn session with the company market planners. But key agents in the geographic areas which the company wishes to exploit can be asked to participate. These agents and the company marketers can then begin to hack their way through the merchandising jungle toward their joint goals.

The company will then immediately be in the most realistic type of market research. A home office functionary can dig out of market studies and statistical tables all kinds of information about sales opportunities in various states and cities. But a good agent, who has never even looked upon himself as a market researcher, can come up with far superior and more practical information on insurance sales potentials. The sum of the knowledge of its key agents about local marketing conditions constitutes the greatest body of marketing research available to any company.

Could Drill Key Agents

Instead of digging theoretical information out of books and presenting it to agents as a new discovery, the company market researchers might well grill key agents, extract every bit of specific knowledge from them and then write its own book on the subject, bringing it up to date from time to time as conditions change. What the company will then have is a national marketing research study designed specifically for its own use.

This "outside-in" procedure should also be used in the other phases of marketing. Who knows the most about what products the residents of a particular locality want, how they feel about price, what advertising media they are likely to read or see? The agent does because he has obtained the information the hard way—through competition.

Using key agents as the foundation of market planning does not imply that the company will relinquish its right to act as the architect of the over-all program. All information gleaned from agents must be assembled, digested, correlated and put into orderly and easily used form. The end product, as noted, will give the company a body of information for national use. It will have the whole picture, contributed in segments by key agents, none of whom is fundamentally concerned with insurance marketing in locales other than those in which he is doing business. The company thus arrives at its rightful position in the management and planning of sales on a national scale.

Company Favored

This desirable result will come about through team work rather than compulsion or attempts thereat. There should be another gratifying by-product of this "outside-in" approach. The key agents, who are invited to help build the company's marketing program at its very inception, are likely to consider themselves a vital part of its structure and to assume responsibility for its ultimate success. Thus they will tend to favor the company with which they have acted as planning partners and become amenable to sales management in the best sense of that term: Direction and help in achieving specific goals, not inflexible patterns of procedure toward theoretical objectives conceived in home offices.

Company-agent conferences aimed at mutual agreement on marketing programs are a step in a profitable direction. But "timing" is of the utmost importance in such conferences. The time to hold them is when the company's program is first taking shape, not when it has jelled. Agents should be shown the blueprints and the building materials of the proposed marketing program, not the half completed or completed structure. Companies should stick to their role of architects but let the agents in as consulting engineers and depend on them to be the hod carriers and brick layers who will build the marketing structure on a sound and lasting basis.

Editorial Comment

Need For Agents Grows, Number Declines

In view of the steady movement of insurers into a combination of life-fire-casualty, the observations of Frederic M. Peirce, president of General American Life, before American Assn. of University Teachers of Insurance are suggestive. In spite of a greater need today than ever before for the personalized service of the agent, the increase in the number of life agents is not keeping pace with the rise in population that has taken place in the last 10 years, he said.

Fire-casualty companies and even many of the leaders in agency ranks long have contended that there are not enough fire-casualty agents. The fire and casualty business may take some comfort from Mr. Peirce's description of a similar problem in the life field. A more constructive reaction would be to conclude that the insurance business as a whole needs to do something to make the business as a whole more attractive to capable young men entering the business world.

The arithmetical decline of life agents, Mr. Peirce pointed out, is the more significant in the light of the upgrading of the economic status of a huge proportion of the population. The potential purchasers of more adequate amounts of life insurance are growing more numerous while the number of qualified agents to serve them is growing smaller.

The life business, he emphasized, has a responsibility to increase the number of agents. It has a concomitant responsibility to provide training facilities that qualify them to serve the increasingly complex needs of people and businesses for financial security. That observation might as appropriately have been made of the fire and casualty business.

Noting that extensive training facilities already exist and that they have been developed over the years, Mr. Peirce stressed the need for the institution of insurance to maintain its place in the collegiate world. It is a responsibility of the insurance business to see that this is done. Thus through the efforts of college teachers of insurance a more receptive atmosphere for sales may later result. Also, the business may then obtain for itself a greater share of college graduates. However, desirable as those results may be, "even more essential is that the college man of today enter the world to be the business man of tomorrow with a sound concept of insurance as the means of hedging against the many risks he will face through life, as a business man and as an individual."—K.O.F.

Personals

Hilary Forrester, regional manager of Royal-Globe at Nashville, has been named chairman of the advisory board of the local Salvation Army for the second consecutive year.

John Z. Herschede, president of the National Underwriter Co., and Mrs. Herschede flew to Europe last week for a short visit to Italy, Morocco, and France.

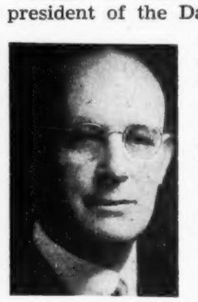
John T. Steen, San Antonio agent, has been reelected president of the Alamo Area Council of Boy Scouts.

John Panchuk, general counsel of Wolverine, has been elected to the Democratic state central committee of Michigan. He was a delegate to the party's national convention at Los Angeles last summer.

E. Vernon Carbonara, who conducts a life and general lines agency in New York, has been named an adjunct professor of insurance in the department of banking and finance of New York University. Mr. Carbonara, a CLU and CPCU, has been teaching there since 1954. He became adjunct assistant professor in 1955 and adjunct associate professor in 1959. Mr. Carbonara, an industrial chemical engineer, was a sales manager with manufacturing firms before joining the former Fraser agency of Connecticut Mutual in New York in 1926. He was later sales manager of the former J. Elliott Hall agency of Penn Mutual in New York from 1928-1929. Since 1930 he has operated his own office. In 1959 a seminar room at New York University's graduate school of buhiness administration was named in Mr. Carbonara's honor.

Deaths

FRED R. LANAGAN, 76, retired president of the Daly general agency of Denver, died after a long illness. Mr. Lanagan's insurance career ran from 1908 to 1955. After graduating from Stanford University, he joined the Pacific Board at San Francisco as an examiner, and a year later was transferred to Butte. In 1909 he joined Fireman's Fund as special agent in Montana, Wyoming, southeastern Idaho and Utah, and was with Fireman's Fund until 1923, except for war service. He became associated with Clarence J. Daly, president of Capitol Life of Denver in 1923, in the formation of the Daly general agency. Mr. Lanagan was vice-president at the start and later on was president, a position he held until his retirement. He was a past most loyal gander of Colorado Blue Goose, past president of the Mountain Field Club and past president of American Assn. of Managing General Agents.



F. R. Lanagan

T. FRANK GAFFNEY, founder and president of Guardian Underwriters of Detroit, died.

GEORGE P. LEE, 66, retired southern manager of Factory Insurance Assn., died at his home in Decatur, Ga.

WILLIAM KALIF, 46, 2nd vice-president of Mississippi Mutual Insurance Agents Assn., died of a heart attack at his home in Pass Christian. He operated an agency in Gulfport. Mr. Kalif was also zone chairman of the southern district of Lions International.

PERCY D. WORGESS, 68, founder of the Worgess agency at Battle Creek, and his wife, Esther, were killed instantly last week in an automobile-truck collision near Nueva Rosita, Mexico, 60 miles south of Eagle Pass, Tex. The accident was attributed to a tire blow-out on the truck, which was carrying eight tons of steel.

The Worgesses had been living near Hastings, Mich., since Mr. Worgess retired from the agency business. He started his agency career in Lapeer, Mich., and moved to Battle Creek in 1931 and purchased the Sheffield agency. For many years he was active in the affairs of Michigan Assn. of Insurance Agents, serving on the executive committee. He was a past president of the Battle Creek association. A son, Russell, now operates the agency at Battle Creek, along with his brother, Donald, and is a former president of the Michigan association. Another son, Duane, is a physician in Battle Creek.

ROGER YOUNG, 77, chairman of the Newark agency of Gorman & Young, died at his home there. He joined the agency in 1912, became a partner in 1918, and successively was secretary-treasurer, president, and chairman, a post he assumed in 1950. He was a yachtsman and in the 1920s and 1930s won may races under the flag of New York Yacht Club in his schooner Caroline.

WILL M. KELLER, 73, retired Palestine, Tex., agent and a past president of Texas Assn. of Insurance Agents, died of a heart attack. He entered the agency business in 1928 and retired in 1956. He headed the Texas association in 1946.

Will M. Keller

WILLIAM R. SEAL, 38, district manager of State Farm Mutual at Baton Rouge, La., died there.

JOHN E. YOUNG, secretary and treasurer of Perkins & Geohegan, Cincinnati, died in an auto accident near Milford, O. He was a trustee of Cincinnati Insurance Board.

EUGENE T. BARRY, 88, retired chairman of the New Orleans agency bearing his name, died. He began his insurance career in New York in the 1890s in the Charles E. Beck agency. The Barry agency was formed in 1906 by the amalgamation of Charles E. and W. F. Peck, Albert Wilcox & Co., and Walker & Hughes. Mr. Barry became chairman of the Barry agency in 1950 and retired in 1957. Throughout his career he had specialized in marine business.

PARIS C. SMITH, 70, retired head of the legal department of Consolidated Underwriters of Kansas City, died at his home in High Point, N.C. He retired in 1957. He was past president of the North Carolina Elks.

WALTHER C. T. LANGE, 73, broker with Critchell-Miller agency at Chicago for 45 years until he retired a year ago, died.

Three Mich. Mutuals Merge

Three farm mutuals in western Michigan have merged into a single company which will be known as West Michigan Mutual of Zeeland. Alexander Klooster is president.

The merged companies are Citizens Mutual Fire of Grand Rapids, Farmers Mutual Fire of Zeeland and Kent Mutual of Sparta. The new company will begin March 1 to write multiple line package policies on farm risks.

Crawford & Co., Atlanta adjusting firm, has moved its head office to 131 Ponce de Leon Avenue.

THE NATIONAL UNDERWRITER

The National Weekly Newspaper of Fire and Casualty Insurance

Published by The National Underwriter Co.

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SUBSCRIPTIONS: 420 E. Fourth St., Cincinnati 2. $7.50 per year (3 years, $20); Canada $8.50 per year (3 years, $23); Foreign $9 per year (3 years, $24.50). 30 cents per copy, back copies 50 cents. CHANGE OF ADDRESS: Enclose mailing wrapper and Post Office form 3579 with new address, and allow three weeks for completion of the change.

Stocks

By H. W. Cornelius of Bacon, Whipple & Co.
135 S. La Salle St., Chicago, Feb. 7, 1961

	Bid $	Asked $
Aetna Casualty	121	Bid
Aetna Fire	101	104
American Equitable	22	23
American, Newark	28	29½
American Motorists	17	18½
Boston	33½	34½
Continental Casualty	104	107
Crum & Forster	81	84
Federal	63	65
Fireman's Fund	58	60
General Re.	127	130
Glens Falls	39	41
Great American	52	53½
Hartford Fire	64	66
Hanover	47	49
Home of N. Y.	62½	63½
Ins. Co. of No. America	91½	93½
Jersey Ins.	34½	35½
Maryland Casualty	40	42
Mass. Bonding	42	43½
National Fire	133	136
National Union	43	44
New Amsterdam Cas.	65½	67
New Hampshire	54	56
North River	43½	44½
Ohio Casualty	26½	28
Phoenix, Conn.	87	89
Prov. Wash.	21½	22½
Reins. Corp. of N. Y.	23½	25
Reliance	63	65
St. Paul F.&M.	76	78
Springfield F.&M.	39	40½
Standard Accident	57	58½
Travelers	104½	106
U. S. F.&G.	46	47½
U. S. Fire	34½	36

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Defends Surcharge Of Assigned Risk Drivers

Since drivers in the assigned risk plan cause as high as four times as many accidents as other motorists, there is sound justification for charging them higher rates, according to Arthur Mertz, general counsel of National Assn. of Independent Insurers. His remarks were made to 700 persons attending the South Carolina Insurance Forum at Columbia.

Answering charges of unfair rate discrimination, he said figures of the major automobile insurance rating organization serving South Carolina show that in 1959, companies paid out about $1.40 in losses and expenses for every dollar in private passenger BI premiums collected from assigned risks in the state. On properly damage, they paid out about $1.25 for every dollar collected.

Surveys in other areas disclose that assigned risks cause four times as many accidents resulting in BI claims as do ordinary motorists, Mr. Mertz pointed out. This is true both of drivers who enter the plan because of past accident or traffic records and those who enter for other reasons. "Under-25 drivers have the worst loss experience of any age group," he declared.

In charging assigned risk higher rates, insurers are really protecting the pocketbooks of the great majority of South Carolina carowners, he said. "If companies were not allowed to weed out the accident-prone drivers and surcharge them for insurance, rates for the responsible majority of South Carolina motorists would have to be increased substantially."

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Plan Midwest Agent Conference Feb. 15

The annual Midwest Agents' Conference will be held Feb. 15 at Chicago. George A. Timm, Kenosha, Wis., will preside over the meeting at which agents of 18 state associations will huddle with western managers of stock companies for an airing of ideas and problems.

Also attending will be representatives of Inter-Regional Insurance Conference, Western Actuarial Bureau, Factory Insurance Assn., Insurance Information Institute and the adjustment bureaus.

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Cincinnati Managers, CPCUs Plan Alliance

The possibility of a tie between insurance managers and CPCUs was explored at the first in a series of dinner meetings of the Cincinnati chapter of CPCU and Cincinnati Area Insurance Managers. A. J. Haberer. Proctor & Gamble; C. J. Haack, Eagle-Picher Co.; A. Julian Lenke, Lenke agency, and Jack R. Trainer, Walter P. Dolle & Co., all spoke briefly on the various functions of buyers and agents.

Talks Up Prospects

Robert J. Schiffgen, Trailmobile, talked up the prospects of the valued form in business interruption coverage as a way of avoiding corporate income taxes. He pointed out that all court decisions to date have backed the idea that since valued forms covered the use of property rights rather than loss of income, there is no taxable gain if the proceeds of the insurance are used in an "involuntary conversion" into capital expenditures.

In a general discussion on the floor, however, insurance men were unimpressed by the possible tax advantage of the idea. Mr. Schiffgen admitted that the government planned to take every claim to court. The certainty of an expensive lawsuit and the loss of depreciation are major reasons why the valued form isn't being written on a grand scale, it was felt.

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Thomson Retires From America Fore Loyalty

Peter L. Thomson, vice-president in charge of inland marine operations of Loyalty companies of America Fore Loyalty group, has retired on the advice of his physician.

Mr. Thomson entered the business with the Gilmour, Rothery agency at Boston in 1915 and joined Loyalty companies as assistant secretary in 1937. He was appointed secretary in 1942, second vice-president in 1955 and vice-president in 1958.

He established the inland marine department of Loyalty in 1937. The inland marine manual and instruction book which he prepared for Loyalty agents is used as a text and reference by many colleges and insurance schools.

Mr. and Mrs. Thomson will make their home at Portsmouth, Va., where their son, P. Winfield Thomson, is vice-president of Commercial agency.

Comments On The Insurance Field From The Investment Dealer's Chair

By LEVERING CARTWRIGHT
Cartwright, Valleau & Co., Board of Trade Building, Chicago

Aetna Insurance, the fire company, was the spectacular market performer last week in another general brilliant advance by the entire list. It spurted about 4 points to the 100 mark, crossed it, retreated to about 97, then on its second wind reached 105 bid. This was responsive to the wonderful earnings report of more than $8 per share. It probably also signifies that Aetna may be graduating in investor esteem to that select group that commands the highest price-earnings ratio and that sells above liquidating value—notably North America, Federal, St. Paul, Continental Casualty.

Aetna Fire thus surpassed in the market its ancient spin-off, Aetna Life, but AEL was no slouch either. It also reached the 100 mark, which is only 9 points from its all-time high on an adjusted basis. On Monday it was 101 bid.

It seems to be axiomatic that a stock which gets within a few points of 100 always goes on to attain that level. Travelers managed to hold its lead of about 4 points over AEL.

Franklin Life crossed into the 90s and GALU was 860 bid Friday. Conn. General kept soaring. Lincoln National continued to move and was in sight of its previous high of 255. Pacific National Life, which has been strongly recommended by Ted Newton of Shelby Cullom Davis & Co., advanced almost overnight from 16 to 22. National Old Line soared and was 26 bid Monday. Life & Casualty and Gulf Life were red-hot, with large buying interest. Mass Protective at 79 was up 10 points from fairly recent levels. There was no stopping Continental Casualty and Continental Assurance. Providence Washington, a market cripple since Donna, swept up from 19 to better than 22.

Lamar Life advanced to 38. United Insurance added another 3 or 4 points and closed Friday at 38¼.

Life Ins. Co. of Georgia was wanted and hard to buy.

The America Fore Loyalty group added $55 million to the market value of its securities in January. This was on top of an $83 million gain in November-December.

Several funds with cash available from realization of capital funds were searching for fresh commitments. Ohio Casualty, which has long been in the doldrums, was being sought in quantities at about 26½.

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The eyes of numerous individual investors were taken by a recommendation by Roger Babson in the Commercial & Financial Chronicle that all investors should have some life insurance stocks. This was on the broad theory that life insurance growth is a sure thing in this period of population expansion. The fire-casualty stocks were virtually all higher, with some of the issues that had seemingly been behind the market getting a play. This included Employers Group Associates that went quickly up from 39 to better than 42.

Business Men's Assurance got up to 49 bid. Kansas City Life worked higher on the comeback trail to 1425 bid. (Its high was $2,000 in 1955, while its subsequent low was about $1,050).

There are indications that this broad move is taking all the insurance stocks into a new elevation. The life companies have now demonstrated that they can take the tax in stride; so the investment community is willing to treat their earnings and increasing net worth with respect as reference points. The fire-casualty agonies are now being dismissed as market factors. Poor mouth talk no longer scares the investor. Lower interest rates cause the yield on these stocks to become more highly capitalized. This also affects the life stocks, because those that carry these issues on loan are not so heavily penalized, and also the juicy yields on tax exempts that drew many away from life insurance stocks are not now quite so inviting, especially when life stocks again seem to justify the "growth" label.

The upward course will, of course, carry too far and there will be a reaction, but after 5½ years of hard going marketwise, the list may well continue to confound the bears for some time.

All American Life & Casualty, which has an extensive following, ran up to 9⅞ bid, up 1½ points from recent levels.

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National Western Life of Denver is taking steps to form an affiliated mutual fund to be known as National Western Insurance & Growth Fund. A registration statement has been filed with SEC for 111,000 shares of which 100,000 would be offered to the public at $10. National Western Management Corp., the distributor of the fund, manager and investment advisor, will receive a commission of 85 cents per share. Investments will be concentrated in stocks of life insurance companies. National Western Life will own 30% of the stock of the management company. Doyle H. Baird is president of the life company, of the fund and of the management company. He was formerly a large producer for Franklin Life and is a go-getter.

Stock of National Western Life is currently offered at 6¼. At Dec. 31, 1959 capital consisted of 513,617 shares of $1 par value and net surplus was $185,223. There was $30 million insurance in force.

Lyle Promotes Two

Richard Renkenberger, staff adjust at Tucson of Lyle Adjustment, has been promoted to manager at Yuma, servicing Yuma county and Imperial Valley, Cal.

Harry Briggs, who has been on the adjusting staff of America Fore-Loyalty group in Los Angeles, has joi Lyle Adjustment as manager at Kingman, Ariz., handling Mohave county.

Salvage Book Takes Prize

A booklet outlining the services of U.S. Salvage Assn. was chosen by New York Employing Printers Assn. from thousands of entries as outstanding in its category.

The 20 page booklet was displayed at the Hotel Commodore during Printing Week in January. It details the various worldwide activities of the salvage unit and outlines its history.

Outlines Industry Program For UM

The problem of the uncompensated automobile accident victim steadily has diminished in scope, Clyde Cecil, assistant secretary of National Assn. of Independent Insurers, said in his talk at the annual meeting of Mutual Agents Assn. of Connecticut in Cheshire. Forty years ago one out of four car owners had liability insurance; now four out of five have it. In Connecticut between 80 and 90% carry liability.

This does not mean that 10 to 15% of valid auto liability claims in that state go uncompensated, he said. In Illinois, where the percentage of cars insured is approximately the same, in 1957, in only one accident case out of 100 did the negligent motorist turn out to be financially irresponsible. In most cases, uninsured defendants paid the claims out of their own resources rather than lose their right to drive.

But the legislative clamor has not diminished, Mr. Cecil observed. There is still a demand from some lawmakers for compulsory or unsatisfied judgment funds. These threats produce white hair, palpitations, and vehement opposition in the business. But until recent times those in the business tended to act in all directions at once.

Common Position

In 1958 American Mutual Insurance Alliance, Assn. of Casualty & Surety Companies, and NAII decided it was time to agree on a common position with respect to the problem of the uninsured motorist. That position is opposition to compulsory and UJF, and in favor of tighter financial responsibility laws and uninsured motorist cover in every auto liability policy with the insured having the option to reject it. Many features of this program have been adopted in states other than Connecticut. (Bills have been introduced to put the program into effect there.)

A recent survey by NAII of auto rates in Boston and eight of the largest U. S. cities that are non-compulsory shows Boston rates are substantially higher. Yet even so Massachusetts rates are not high enough to allow the companies to break even.

The trouble is, Mr. Cecil said, under compulsory BI premiums are regarded as a sort of license tax on driving. In Massachusetts some companies went broke under compulsory, some left the state, and today far fewer write business than in other eastern states. Both the insurance commissioner and motor vehicle registrar in Massachusetts have endorsed legislation to repeal the compulsory law.

In New York, motor vehicle accidents jumped 14% and injuries 17% in the first year of compulsory, double the rate of increase the preceding year. BI claim frequency increased more than 23%. In North Carolina BI frequency rose more than 17% in the first year of compulsory and by 1959 year end the frequency was up 35% and still rising. The average claim cost is up 16.5%.

The administrative expense of compulsory is staggering, Mr. Cecil pointed out. In New York for the first two years this cost was almost $7 million plus the cost to companies of an endless maze of procedures necessary under the law. The North Carolina law costs the taxpayers $200,000 a year for administration. On top of this half the highway patrol's time is taken up with investigations to aid in enforcing the law. Effective enforcement would cost $1 million a year.

Assigned risks go up sharply with compulsory, he added. For example, 13% of all auto business in New York now is in the assigned risk plan. North Carolina had an increase of 300% in assigned risks the first year of compulsory; 16% of all of the business is in the AR plan and is growing.

Ironically, Mr. Cecil said, compulsory cannot protect against losses if the negligent party's insurance has lapsed, against insurance dodgers, against non-resident drivers, against stolen cars, and against hit-run drivers. In North Carolina 12% of motor vehicles involved in accidents are not insured.

Mr. Cecil then put the case against UJF. In New Jersey and Maryland the funds leave citizens unprotected and vulnerable in a vitally important area—accidents with uninsured motorists from out-of-state. Such funds also lead to bureaucracy, red tape and delay, he said.

The industry's proposal in Connecticut is, in addition to UM cover in every policy with right of insured to reject it, proof of financial responsibility for five years, impoundment of the car, payment of administration by $25 fees on uninsured, etc.

Results Better For Peerless In 1960

Peerless had an underwriting profit of $122,940 and investment earning of $756,439 in 1960. Premiums written were $15,845,820, a rise of about 1%.

Loss and loss expense were 60.2% of earned premiums, and other underwriting expenses were 39.2% of written premiums. Policyholders surplus was $8,274,310 at year end, a rise of $199,305.

Three Claim Men Promoted

Western Pacific has promoted Joseph A. Whitlow to manager of the western Washington branch claims office in Seattle. He has been home office claim supervisor for seven years.

Dwight N. Stevens Jr. will serve as supervisor of the recently established home office fire and material damage claim department. He has been branch claims manager in Spokane for six years.

Richard L. Cease replaces Mr. Stevens, having been for two years in the Spokane office claims department.

Shows Electronic's Value To Small Insurer

(CONTINUED FROM PAGE 6)

port difficulties of the second floor. The basement area taken over was formerly used for dead storage and therefore lacked air conditioning. It was necessary to install an independent air conditioning unit. Partitions were installed and electrical work had to be done to take care of the punch card equipment as well as the computer. One month before the installation date of the 305, the entire department was moved on a weekend and was in full operation the following working day.

The 305 was installed and turned over to us on July 1, 1959. From that day to this writing, we have justified the rental cost in only 2½ hours a day by writing, rating, coding and recording policies, involving one and two cars at the rate of three policies per minute. At the present time, most of our programs are "printer interlocked." This means that the processing is being held up while waiting for the printer. We are now realizing 75% utilization of the 305. But when this rises to 85% to 90%, it will be possible to increase our processing time by replacing the 370 printer with the faster 407, thus stepping up our printing speed.

Other Features

Policy typing for the Trenton area of New Jersey, and the entire state of Pennsylvania was formerly done in branch offices, and copies were sent to the home office for recording. Now about 85% of the auto policies are processed by the 305 in the home office. This alone represents a substantial saving.

In the past year and a half, our business has increased more than 15%. In that same period, the total number of employes has decreased 2.7%. This decrease in personnel is more impressive, since in this one and a half years, we have expanded other units such as the claim department by adding more of our men to take over claim adjustments which had formerly been entrusted to independent adjusters. Automation by RAMAC did not displace any personnel. They were absorbed into other departments by thoughtful planning in areas to be affected by the 305. In these areas new personnel was not hired to fill vacancies.

We now have 25 different electronic programs, some of which are conversion procedures from the punch card equipment. This has made it possible to eliminate our 602A calculator, two of our key punching machines, and all overtime in the data processing department.

We are an agency company and in the past our monthly statements to agents were sent out about the 15th of the month. Great difficulty was encountered in getting these out on time, since there were monthly reports to be made from the same cards. Now, the data needed for these monthly reports is stored on the disc records of the 305 so that the statements can be prepared as soon as the month's business is closed. Thus the agents' statements are in the mail by the 6th of the month. The reports that used to take 40 hours to prepare are now unloaded from the file in 30 minutes.

Receives Reports Earlier

Management now receives reports much earlier. One example is our agency loss experience report. In the past, this was not in the hands of management until six weeks after the semi-annual reports were completed. Now it will be available immediately after these reports are in, because all of the needed data—such as agency gross writings, earned premiums, losses paid, previous year's reserve, current year's reserve and reinsurance recovery—are stored monthly in the file by line of business for each agency. It is simply a matter of pulling this data from storage and computing it to develop the losses incurred and the loss ratio. This is figured on each current year's business, as well as on that of the past four years.

We have had an installment payment plan for some 30 years on auto policies. Our installment payment cards are developed daily. They are used in billing our insured directly in behalf of our agents. These bills request that payment be made only to agents. We had been doing this for the past five years on punch card equipment. Now we have created a large saving in time and have curtailed errors. Before the 305 was installed, the four installment payment cards were punched by key punchers from a pre-calculated data slip on the policy. After these cards were punched and verified, a run through the 602A calculator was necessary to develop the agent's commission, net and total premium. Now the statistical cards developed from the policy preparation program are passed through the 305, and the output is the four installment notice cards with the proper due date, total premium, agent's commission and net, all developed, plus the printed installment payment endorsement showing insured's name, due date of each installment, and the total amount of the policy.

In summary, I believe that a company thinking of acquiring a computer should observe the following steps:

1. First, decide which one of the several good computers will best suit their needs.
2. Justify it by a sound proposal.
3. Train the proper people to program and operate it.
4. By all means, do not have the manufacturer's programmers do the programming.
5. Sever the tie with the manufacturer of the computer as soon as possible, and let your own people who are to be responsible for its operation stand alone.
6. Relieve your programmers and operators of previous job responsibilities, as the responsibility of programming and operating a computer is a full time position.

If these steps are followed, your computer cannot help but be a successful venture for your company.

Cook Named 1st V-P Of Grain Dealers Mutual; Bright Is Secretary

D. Clay Cook has been appointed 1st vice-president of Grain Dealers Mutual, succeeding the late Robert D. McDaniel. Wilbur C. Bright, vice-president and manager of field service, becomes secretary. Mr. Cook will continue as western manager and will remain on the board.

Baltimore Adjusters Elect

Baltimore Insurance Adjusters Assn. has elected Harry Bertier, Cummings-Bertier Co., president. Others elected are Sheldon D. Bosley, America Fore, vice-president; Paul J. Green, Calvert Fire, secretary; and Charles W. Russo, American, treasurer.

McHugh Tees Off On Opponents Of Rate Making By Market

(CONTINUED FROM PAGE 1)

ation in the bill of the prior approval of rate filings. He said that such approval fits more logically into the regulation of public utilities where natural monopolies exist. But insurance is not a public utility and no monopoly franchise is conferred by the state upon insurance companies. They are not required to serve all customers, although, unfortunately, efforts are now being made in some states to impose such an obligation upon automobile insurers.

The D.C. bill recognizes that the complex processes involved in rate determination are better suited to the workings of the market place, Mr. McHugh continued. The enormous burdens imposed upon the commissioner's office will thus be eliminated.

Opponents of this approach assume that it means unrestricted rate competition and a kind of jungle warfare that will degenerate into chaos and resulting insolvency, Mr. McHugh observed. He thinks that those holding this view have little faith in the essential workings of the free enterprise system.

A vast amount of time has been misdirected by insurance departments in reviewing, examining and testing rate filings and supporting data in a mechanical fashion which has made responsible judgments almost impossible, Mr. McHugh declared. The subcommittee, in a questionnaire, developed information on the multiplicity of duties connected with prior approval and found that the very bulk of the material being processed negated a proper examination of the rating material filed.

Lauds Traditional Companies

Mr. McHugh characterized as "history making" the action of National Board, Assn. of Casualty & Surety Companies and Inland Marine Underwriters Assn. in espousing principles of rate regulation which in many respects closely approximate the provision contained in the D.C. bill. This was a realistic adjustment by the traditionally operated stock fire and casualty companies to the realities of the market place, Mr. McHugh stated. Legislation incorporating such principles would enable these companies to effect the economies in their own operations necessary to meet competitive developments. Since National Assn. of Independent Insurers had previously supported such legislation, it would appear that companies doing in excess of 80% of the business are now in agreement on drastic modification of state laws to bring about more effective competition.

Certain states are taking the initiative in revising their own rate laws before agreement on a model bill is reached by National Assn. of Insurance Commissioners, Mr. McHugh said. Tennessee is presently contemplating rate revision, and other states will undoubtedly be doing likewise. It is earnestly hoped that this opportunity will be seized by the states to infuse new competitive life into their enforcement of existing rate laws. Current administrative enforcement of existing laws could well be pursued with these considerations in mind.

The approach to rate regulation in the D. C. bill does not mean diminution of the responsibilities of the commissioner's office and a gradual deterioration of his prestige, he said. Additional resources of time and manpower will be available to the commissioner in discharging the more vital responsibilities of his office. It will enable him to maintain a closer surveillance of companies to ensure solvency and to scrutinize more carefully the trade practices of rating bureaus, advisory organizations and trade associations, in Mr. McHugh's view.

New Techniques Needed

A project long overdue by most insurance departments is an analysis of the techniques employed in the conduct of examinations. Many states are not qualified to undertake this job alone, he said, and it would be unwise to expect or seek the assistance of insurance companies. The states should be more aggressive in developing research projects in collaboration with insurance scholars in schools and universities. Where interest cannot be generated in local universities many schools throughout the country would unquestionably welcome the chance to turn researchers loose in the store-

house of information found in the files of state insurance departments. In-training programs for departmental personnel should be encouraged, particularly where proximity to major universities makes this possible.

Mr. McHugh said that if the major burden of the commissioner's duty centers around solvency, company examinations should be correspondingly keyed to this goal. Undue emphasis has been given in the past to the more mechanical duties involved in the checking of financial data. These responsibilities, while important, should be left to accountants specially trained for the job.

A greater percentage of time and effort in the conduct of examinations should be exerted in examining and testing underwriting and investment policies, and the decisions made by management which bear upon the preservation of the insurance fund. Reliance upon security deposits and capital surplus requirements can be no substitute for the informed kind of inquiry which will reveal the soundness of a company's financial position.

Management Policies

Improved formulas should be revised for measuring the adequacies of reserves in relation to the risks undertaken. Informed analyses of reserves for pending claims, and accurate evaluation of assets require a high degree of professional competence. Similarly, examinations of management policies which might waste the policyholder's equity are vitally needed. Irresponsible dividend policies have brought some companies to the brink of failure. In the competitive atmosphere looming on the horizon, commissioners must be unusually sensitive to the financial position of the small and medium size company. While inadequate rate structure has seldom been a reason for insolvency, greater rate competition will magnify the need for surveillance of company financial position, Mr. McHugh said.

During its hearings in 1960, the subcommittee heard testimony concerning the celebrated Inland Empire debacle he continued. The unfortunate consequences of this episode were felt throughout the country. Weaknesses in the ability of state commissioners to protect local policyholders and creditors from operations of companies domiciled in other states were manifest. This case highlights the need for more careful examination of reinsurance arrangements which might jeopardize the position of numerous companies. Cooperative action among the states, on a crash basis where necessary, may be the only answer in some circumstances, Mr. McHugh declared.

The examination should lay greater stress upon careful analysis of correspondence, memoranda and minutes of the meetings. Only in this way can the commissioner be fully informed concerning the attitudes and motives of company officials. By so doing he can ascertain whether management policies might endanger company solvency.

The examination of this data is even more important in the case of rating bureaus, advisory organizations and trade associations, and the anti-trust subcommittee has taken a critical view of the activities of advisory organizations and their influence in the rate making process. The D.C. bill would give the insurance superintendent close supervision over their activities and would require the maintenance and submission of extensive records. In the opinion of the bill's sponsors, state

Travelers Promotes

Six superintendents and four assistant superintendents in the casualty underwriting department have been appointed by Travelers. William I. Pye, Franklin H. Cameron, Robert H. Sherman, Woodbury G. G. Stevens, Edward C. Roller and Dean A. Stoecker were appointed superintendents. Fredric Gibbs, Kenneth A. Jones and Gerald F. Van Steenburgh were named assistant superintendents in the engineering and loss control division. Paul A. Knudsen was appointed assistant superintendent in the payroll audit division.

Mr. Pye joined Travelers in 1941 and was a field man, agency assistant in the fire and marine agency department at the home office, and assistant superintendent of agencies. Mr. Cameron joined Travelers in 1949 and served at several offices before he became office supervisor in the office administration department in 1959. Mr. Sherman joined Travelers in 1947 in the office administration department at New York and became assistant office manager at the 80 John Street, New York, office.

Since 1951 Mr. Stevens has been in the casualty underwriting department as assistant underwriter, underwriter and senior underwriter. Mr. Roller joined Travelers in 1938 and has served as an assistant office manager at Washington, New York, and Newark.

Mr. Stoecker joined the company in the mortgage loan department and has been assistant office manager at Houston. Since 1946 Mr. Gibbs has been resident engineer at Binghamton and assistant supervising engineer and district supervising engineer at Hartford.

Mr. Jones served as resident engineer and regional supervisor at several Travelers offices. Mr. Van Steenburgh joined Travelers in 1936 as an engineer at the home office. Mr. Knudsen went with Travelers in 1940 as a field auditor and has served as supervising field auditor at Hartford.

rating laws have been deficient in the supervision of advisory organizations. State departments have not exhibited sufficient concern for the manner in which such organizations exercise their influence in the rate-making field and in directing the course of competition.

Some responsibility must be laid at the feet of insurance commissioners for certain failures of the American insurance market, Mr. McHugh continued. The subcommittee's study of aviation and ocean marine insurance revealed the great dependence upon the London market for reinsurance. Recent statistics released by the U.S. Department of Commerce reveal that the movement of American dollars into foreign reinsurance markets continues to increase. In most industrial areas, America boasts of its superiority over the other nations. Nevertheless, reinsurance continues to be exported in vast quantities because adequate markets are not available in this country.

Examinations by the staff of the anti-trust subcommittee of the records of certain national trade associations and advisory organizations disclosed hostile attitudes of industry committees toward the so-called deductible or excess of loss insurance. Despite the needs of important American industrial buyers for this type of insurance, the American market has been slow to respond, and much of the business has gone abroad. Instead of passively accepting such non-progressive attitudes, the insurance commissioner might pursue a more forceful role. He has the obligation to prosecute as an unfair trade practice any concerted refusals to sell such insurance or to prevent or discourage others from doing so.

More important, the insurance commissioner has some obligation to lead the way. While his powers are not unlimited, they are certainly vast. All too often the commissioner has occupied himself with details of company management involving picayune issues having little relation to the major problems of his office. At the very least the commissioner must be well informed of the current thinking by important groups concerning the major developments of the day. Thus, forearmed as to attitudes and plans in the business, he is able to assert his executive leadership in guiding such activity in channels most useful to the public.

Competition Equalized

The needless preoccupation of many departments with details of policy forms, rate filings, and supporting data, and the bureaucratic delay attendant upon such over-regulation, has frequently provided a competitive advantage for the non-admitted insurers doing business in the U.S., Mr. McHugh said. The solution is certainly not the stifling, by further needless regulations, of the useful functions performed by such markets. Rather, an effort should be made to relieve the domestic insurer of administrative restriction which make him unable to respond quickly to certain specialized needs of insurance buyers. In this manner the commissioner can equalize the competitive position of the non-admitted and the domestic markets and permit more of the business to remain at home. It provides the necessary flexibility to compete equally for this business with the non-admitted markets.

Mr. McHugh also commented in detail upon other aspects of examinations by insurance departments. His further views on the subject will be reported in a subsequent issue.

Tenn. Insurance Bills

A bill introduced in Tennessee would increase from 5 to 20% the amount of stock in other insurers which Tennessee insurance companies are permitted to own. Merger provisions applicable to corporations would be made applicable to quasi-public corporations such as insurers as well in another bill. A third measure would authorize the insurance department to employ three actuaries and any assistant actuaries that are needed. Presently the limit is two.

Fitzgerald Transferred To Detroit

J. B. Fitzgerald has been transferred by Standard Accident to the home office contract bond department as a senior bond underwriter. He has been bonding field representative at Cincinnati. He joined the company in 1950.

Explore Automation, Other Problems At Conn. Mutual Rally

(CONTINUED FROM PAGE 2)

Insurance Rating Organization has assumed the authority of asking the risk for the report, after which NEFIRO will tell the risk directly whether it qualifies for the new rate and form. To this Mr. Mulvihill objects—agents are entitled to service their own customers, he said.

More mergers of companies lie ahead, he said, and agents, who are always seriously affected by mergers, will need to be on the alert.

Mr. Mulvihill observed that the association now has more than 300 members—with 535 persons under the association-sponsored group major medical program. In the state 110 member agencies have purchased errors and omissions coverage. Losses and judgments involving agents are increasing every day. The three associations—Connecticut, New Jersey, and New York—now have more than 1,500 members and are coordinating their efforts on major issues, he said.

Automation Will Spread

Mr. Mulvihill said that though it may take months of trial and error before the savings advertised for electronic data processing begin to be realized, nevertheless the savings are there, and automation is going to spread.

Automation and its effects proved to be one of the most discussed topics of the convention.

Mr. Morrison warned that the computer and memory machines will make the typewriter with its stenographer as obsolete as the typewriter made the clerk on a stool copying policies into company books with a steel pen.

In an age of increasing cost of doing business, what typewriter can compete with a machine turning out 6,000 contracts an hour? Thus the machine that put the agent into the policy writing business is being pushed into oblivion by the machine that will put the agent out of the policy writing business.

Real changes in operational methods of agencies are occurring. Electronic computers are going to work, he said. One company reported to him that computers already had saved the cost of building two wings on its home office. Another, a direct writer, had not reduced its costs, but, with a large increase in business, had not had an increase in costs, due to automation.

The larger size operation is needed to support computers, Mr. Morrison said. Fireman's Fund is reported to have paid $7 million for electronic equipment at its home office. The need for a larger operation to realize the savings of the computers is one of the factors inducing companies to merge. He also sees ahead agency combinations. This can be done and the agency can still retain its identity.

System Is Adaptable

However, Mr. Morrison observed, in the history of the agency business, changes in methods have followed changes in circumstances. In the mid-1800s the agent was the middleman who provided coverage in several companies, no one of which could take all the risk. Now the companies have grown till they can handle any line. This will be more so as more companies merge. The lack of capacity will gradually disappear.

One importance of the local agent in former days was his knowledge of local conditions so he could give prompt service. But with the tremendous step-up in speed and variety of communications, that need is disappearing.

Time was, he added, when loaning money to insured without interest by the agent paying the company the premium and waiting for his money was a real asset to the agency system. When the agent retained $20 on a $100 premium, there was room to bury the finance charge. This was unfair to the cash payer, who bore the same charge as the credit delinquent. But there is no longer such injustice, what with life insurance techniques of prompt collection plus financing schemes at reasonable charges. The fellow who borrows will pay interest, the cash payer will save.

Has it been established that the captive agent or the salaried employe is more effective merchandising than the independent agent? Mr. Morrison believes the independent agent still has an important role to play in insurance distribution because of the desire of insured for expert and independent advice in the planning of his insurance needs. This will never entirely disappear.

To Represent Insurer Less

Even more than in the past, in the future the concept of the agent serving the interests of the company will be diluted, he said. But this does not undermine the fundamental aspect of the agency system.

That system, he declared, doesn't mean the right to type policies, collect and finance premiums, hire stenographers, bookkeepers and file clerks, buy typewriters, and pay rent for large offices to house them all.

What is fundamental is that the agent is a private entrepreneur, he operates his own business, and his expirations belong to him. As long as his contractual rights to expirations continue, the system will be preserved.

He advised agents to study their contracts. If they see anything unusual, they should see a lawyer. There may be nothing to arouse concern, but the contract is the bulwark of protection of the values the agent has in his agency.

To strengthen the agent's position, Mr. Morrison proposed adoption of language suggested by the late Walter Bennett, general counsel and executive secretary of National Assn. of Insurance Agents. Mr. Bennett made the suggestion in 1948. It was that there be added to the contract wording to the effect that if a company withdraws from the agency, or the agency leaves the company, not only are the expirations the property of the agent but the company shall not use such information for any purpose or permit its use for any purpose. Mr. Morrison thinks this would be well to have in the agency agreement in view of the changes in methods that are going on.

Mr. Ahearn asked Mr. Middleton if he thought automation forecasts "almost the demise of the small company and agency."

Small Firm And Automation

The small company can use automation, Mr. Middleton observed. The mass market is still composed of individuals. He doesn't know of anyone in data processing who has developed a program for any line except automobile.

The future is difficult in many respects for the smaller company, Mr.

Middleton said. Yet the smaller company is more flexible than the large one. It can move quickly to take advantage of situations. It does not have the large organizational and other commitments of the larger companies, nor the cost of them.

The small agent still possesses individual abilities to go out and get business, he added. The small company can take care of the small agent who has a lot of individual problems.

Automation is not the exclusive province of big business, Mr. Geer noted. His three associations are operating a computer center for agencies in the three states, and it is working very well.

"A punch on an IBM machine won't bring in the same results as a punch of the finger on doorbells," Mr. Reynolds observed.

Notes Government Threat

Mr. Ahearn noted the threat of government in the insurance business and asked Mr. Reynolds how agents can help the insurance information offices to fight this intrusion.

The agents have more public relations opportunities every day than the information offices have in a year, Mr. Reynolds observed. The companies simply cannot operate without the goodwill of agents. It is a strange thing, he added, that in the insurance business, which is undergoing many important changes, some company top executives have lost contact with their agents. He believes most important objectives can be achieved if the agents are imbued with them—and few if any can be achieved without the agents.

Mr. Barry touched on the homeowners in his speech and during the panel session. Reprints of his talk, Facts and Figures, which he gave to the New Hampshire agents' group last year, have been requested by more than 6,000. With respect to the 10% merit rating of homeowners, what happens if the company quits the agent or vice versa in 2½ years, he asked.

In connection with the freedom of contract bill which the agents put through in New York, the insurance department asked 10 groups of companies what commission they were paying on homeowners. To his chagrin, he said, he found that seven of the 10 have been paying more commission on this line than his group. (The companies have been trying to get the latest version of homeowners approved in New York, and the freedom of contract bill requires the department to take into consideration past experience with respect to commissions as well as losses and other costs.)

Mr. Barry also said he believed that the business is building up to a million claims a year of less than $100—nuisance claims. His group paid a $3.75 claim the other day for a pair of glasses, broken when one kid bumped his elbow into the face of another and knocked his spectacles to the pavement.

The industry filing of the late version of the homeowners, based on a 15% commission, makes the companies filing it close to being guilty of perjury, Mr. Barry declared. "They knew when they made the filing that they were going to pay more than 15%." The homeowners commission in 1956 was 26.3% and in 1959 25.6%.

Same Rates For Everybody

Asked how he would meet the direct writer competition, Mr. Barry said get rates the same for everybody.

Mr. Barry also doubts the efficacy of automation. He said the savings have been overstated. Allstate, which has had automation for years, has a 1% higher expense ratio than other companies.

Asked why the agency companies don't advertise more, Mr. Barry said it is because they are fighting among themselves.

What about the small agency that is facing a cut in commissions at the same time its business is being attacked by the larger companies?

Mr. Middleton said this presupposes the public is a mass without individual preferences. A substantial number of persons buys insurance on price. But service is still significant. The agent knows the individual and his individual preferences and problems. Automation does not lend itself to all units

of every line. Even in homeowners, how many no-change policies does the agent have throughout the full term of the policy?

Will merit rates, deviations, and independent filings by stock companies force the mutual company to go from a dividend to an advance discount? Mr. Morse emphasized in answer to this that the mutual agents in New England are selling product and service and are relying very little on a simple price differential.

Asked for NAII's position on rating legislation, Mr. Cecil pointed out that the organization is advocating a bill that provides for no prior approval. This, he said, is so that companies can get increases in rates when they need them. He observed that California, which has more automobiles than any other state, has no auto rate regulation.

Four Vote For 'Special'

How many of the agents in the room use the special package automobile policy rather than the broader family policy, was another question. Four agents raised their hands, of more than 300 attending the session.

One of the most frequently raised questions, Mr. Reynolds responded to a question, is how rates got that way for drivers under 25. This is because motorists acquire a sharp interest in the subject when junior becomes a driver and the family auto premium jumps.

Mr. Barry suggested that under-25 drivers be charged regular rates until they have an accident and then surcharge them.

In his talk, Mr. Reynolds observed that the insurance business is far advanced in a profound evolution from a simple operation of statistics and economics into a social instrument of a completely motorized society. It is suddenly confronted with tremendous problems of public policy, problems on which its experience and its statistical computers do not necessarily qualify its personnel as experts.

Thus the human equation may be ready to take its place as the co-equal or even the superior to such insurance devices as probability theories, the law of large numbers, and statistical tools which only a generation ago sufficed as equipment for the endeavor. The insurer's department of human relations is being forced by circumstances to a place co-equal with underwriting, actuarial, claims, legal, and investment divisions.

The public has conceived of the business as a form of public utility, Mr. Reynolds said. Even though such a concept is somewhat less than half accurate, the crush of legislation aimed at the business stems from the kernel of truth in the idea. Therein lies the logic, so-called, of the pressures for haphazard and sometimes resentful statutory tinkering with the problems of assigned risks, cancellations, and the irresponsible driver.

He sees the business at a critical stage because of the rise of the vast new injury compensation industry. The insurance business is at the fulcrum of this industry, and finds itself, without much choice in the matter, compelled to defend society against ambulance chasers, to decide indirectly who shall and who shan't drive, and a hundred other things. To conserve the funds entrusted to it by the insured public, the business must speak out against abuses in professions and vocations which imperil proper administration of that trust, to insist that the legal profession live up to its canons, that the medical profession honor its ethics, and that the state preserve the fundamental rights of fair trial and jury procedure. In the midst of all this, the insurance business is the only one being regulated.

Mr. Reynolds believes the business has a great story to tell and can convert the present unparalleled governmental and public attention to its own advantage. It has no right to permit itself to be misunderstood, unexplained —and distrusted. It is doing much and will do more to justify public trust, public confidence, and public support.

Lamb Tells NAMIA Story

Mr. Lamb emphasized what NAMIA has done and is doing in education. Its group errors and omissions coverage now is carried by more than 2,000 agencies. Contrary to some reports, he said, the coverage does pay defense cost, claims are not settled without the consent of insured, the insurer will not try to recover losses from its employes, the policy covers the agent and his employes, and there is retroactive coverage.

For the first time, NAMIA this year is offering members group life and major medical insurance through state associations.

Last year, in conjunction with the company-agents committee, the association launched a psychological study of youthful drivers. Gay Milbrandt of Pelham, N.Y., and Henry Bean of Haddonfield, N.J., led this project. The goal is to create more capacity for this business for agents.

NAMIA has tripled its membership in 10 years, Mr. Lamb said. In the next 10 years, it expects to increase membership by 50%, or, by 1970, to 15,000. The membership contest this year offers $200 to the association with the greatest net increase and $200 to the association with the largest percentage increase. The period is Oct. 1, 1960 to Sept. 30, 1961.

NAMIA has revised the plan previously used in selecting Mr. Mutual Agent of the Year. Each state will pick its own Mr. Mutual Agent. State winners will then enter the national contest. Selection will be on the entry's standing as an all-around agent, work in community relations, and contribution to the agency business. The winner will receive $100 toward his expenses to the convention, plus recognition at that time, and an invitation to speak at state meetings. Also, the advertising and selling committee will key its "Salute Mr. Mutual" advertising campaign toward honoring Mr. Mutual Agent during its advertising month, November, 1961.

A supplement to the office procedures manual, which is a study of office mechanical equipment, has been completed and is about ready for distribution, he reported. It took a full year to prepare. Another supplement planned for this year will deal with personnel recruiting, selection and testing; administration, with a separate treatment of fringe benefits and an additional separate treatment of day-to-day operation; training and indoctrination; budget control, use of outside services in bookkeeping and accounting, and agency policy writing.

Sales presentations for automobile and homeowners are planned. NAMIA's survey forms, widely used by members, will be revised and brought up to date. A recruiting and testing manual for sales personnel is being considered, and a catalogue offering advertising and selling aides to members will soon be ready.

W. Va. I-Day Card To Focus On Sales

Agency opportunities to sell neglected coverages to offset reduced commissions will provide the theme of West Virginia I-Day Feb. 27 at Oglebay Park, Wheeling.

Robert T. Mooney, American Casualty, will discuss the place of A&S in the general lines agency. Robert A. Bolin, U.S.F.&G., will analyze opportunities to sell often overlooked coverages to present customers and prospects.

Tom Wagner, Steubenville, O., agent, and William F. Simpson, Zurich, will discuss the automobile situation from the agency and company aspect.

Commissioner Mills will also speak. A panel discussion, with all speakers participating, will conclude the day. On Feb. 26 the executive committee will meet, and a cocktail party will be held with field men and other company representatives as hosts.

National Cash Register Brochure Features Insurer

National Mutual of Celina group was featured in a brochure prepared by National Cash Register Co. The brochure explains how the business machines company analyzed requirements and designed special equipment to handle policy recording and billing of National Mutual's economy auto policy in which the insurer does all the paper work.

Tri-State Claims Assn. Elects New Officers

Tri-State Claims Assn. (Louisiana, Mississippi, Arkansas) has elected Robert Motsinger, Crawford & Co., president; Joseph Gay, Riser, Young & Kolb, 1st vice-president; Edward Sullivan, Ins. Co. State of Pennsylvania, 2nd vice-president, and Miss Donnie Moore, Travelers, secretary-treasurer (reelected). Installation was conducted Feb. 10 at the Town & Country Club Hotel, Bossier City, La.

American Mutual Changes

American Mutual of Charleston, S.C., has promoted James D. Lubs to vice-president. Carolina National, its affiliate, has named him vice-president and secretary. Marvin W. Metzger, underwriting manager, and William D. Hilton, production manager, have been named assistant secretaries of American Mutual. William P. Ogilvie of the administrative department has been named treasurer of both companies, and Miss Norma N. Lubs accounting supervisor of Carolina National, has been appointed assistant treasurer of that company.

During the past year American Mutual opened an office in Greenville, S.C. A separate department was established to handle general liability business. Carolina National acquired the business of the Hendley-Morris Co.

Travelers Raises Dividend

Travelers has increased its quarterly dividend from 35 to 40 cents, the current one payable March 10 to holders of record Feb. 3.

Honored At 50th Milestone

Officers, their wives and the office staff were guests at a testimonial dinner for Herbert J. Hoeffel, president of the Egbert F. Ashley Co. agency in Rochester, N.Y. The affair was held exactly 50 years from the day Mr. Hoeffel began to work for the agency.

Two Rocky Mountain Associations Merging

Mountain States Capital Stock Insurance Assn. and Mountain States Casualty & Surety Assn. have voted to merge into one organization embracing all lines of insurance except A&S and life.

The new organization will be known as Mountain States Capital Stock Insurance Assn. and will officially be formed at a joint meeting of members of both organizations in Denver, Feb. 13.

The organization will be composed of field men of capital stock insurance companies operating in Colorado and Wyoming. Its purposes are manyfold including the discussing of and suggestions for solving problems of writing insurance and loss prevention to provide trade groups and civic organizations with speakers on insurance topics, conveying to the public ways and means of preventing losses, and preservation of lives and property.

Spectator Advances Cullen And Alrich

The Spectator has advanced Thomas J. V. Cullen, editor, to editor-in-chief and William M. Alrich, managing editor to editor. Mr. Cullen will have increased responsibilities with statistical tables. He joined the magazine as a statistician in 1913 and was named editor in 1929. He is a director of Western & Southern Life.

Mr. Alrich has been managing editor of the magazine for the past eight years.

Cosmopolitan Names Two

Cosmopolitan of Chicago has appointed Peter Bergman treasurer and Robert F. Janis assistant vice-president in charge of casualty claims.

Mr. Bergman, a CPA, has been an auditor with the army audit agency. Mr. Janis has been with Indemnity of North America and LaSalle Casualty. He was admitted to the Illinois bar in 1941.

More Quality, Not Quantity In Insurers Is McClain's Goal

(CONTINUED FROM PAGE 1)

insurance commissioner I could find, and I believe I got the best that could have been found." He paid tribute to Mr. McClain's "personal sacrifice" in accepting the job in the interest of public service.

Also at the head table were the commissioners of Indiana's four bordering states, or their representatives —E. A. Stowell of Ohio and W. T. Hockensmith of Kentucky were both present and A. Vernon Rosenthal represented Illinois and John Wickstrom represented Michigan.

Past Indiana commissioners Harry Wells, William Davey, and Alden Palmer were introduced along with the members of the insurance committees of the Indiana house and senate.

Asks Higher Appropriation

Mr. Jackson was serious briefly when he made a plea for a higher appropriation for the Indiana department. He demonstrated how only 2% of the tax on Indiana insurance goes for the operation of the department ($217,000 of more than $10 million in 1960), although that's what the tax was originally established for. The rest goes to the general fund.

The commissioner echoed this plea for more adequate funds by asking every one present to make his wishes for an adequate appropriation known to members of the legislature. Mr. McClain assured his audience that he was not afraid of the job and pledged "to strengthen what we have rather than encourage new companies." Much of his remarks were reminiscences about his friends in the audience and his previous years as commissioner (1933-37) under the governorship of Paul V. McNutt.

Former Commissioner Ashley closed the program, candidly admitting that he was "glad to be there, but wished it could be under other circumstances."

State Disability System Bill Reappears In Mich.

LANSING—Sen. Rahoi, Iron Mountain, has introduced in the Michigan legislature his perennial bill to create a state monopolistic disability insurance system.

The measure would place all employers of four or more persons under the plan which would pay benefits to all employes who are idled by illness or injuries and who are not covered under workmen's compensation. Benefits would range up to 90% of salary or $90 weekly, whichever was less, and would run up to 26 weeks.

Hemion Elected V-P Of United Pacific

W. M. Hemion

Whittaker M. Hemion, whose appointment as head of United Pacific group's fire operations was announced in January, has been elected vice-president of United Pacific.

File Flexible Casualty Rate Bills In Tex. Senate

AUSTIN—Bills providing flexible rates by amending the casualty law have been filed in the Texas legislature by Sen. Secrest and Rep. Pearcy, both of Temple. In an explanatory statement, the authors also attacked the safe driver plan, which would be made optional under the proposed amendments.

Under Uniform Rate Law

For more than 30 years Texas has operated under a uniform rate law. Opponents of the flexible rate bill have been successful in the last two sessions of the legislature in preventing its passage.

Warns Michiganders Not To Use Fire Chasing Adjusters

LANSING—Attorney General Adams issued an official warning to Michigan residents during last week relative to patronage of "fire-chasing" adjusters and repair contractors.

"High pressure selling tactics," he declared, "applied while a family is caught up in the confusion and despair of a fire often result in unhappy settlements and exorbitant contracts for insurance adjustments and repairs repairs." He urged all property-owners involved in fires to delay action in such matters and not to sign up for with persons appearing on the scene of fires. He said several days of "cooling off" should be the sensible rule for persons confronted with losses, with the intervening time used to make inquiries relative to various services they might require to obtain the best settlements.

Story Named V-P Of Prov. Washington; Two Made Officers

Providence Washington has named George S. Story vice-president, and Christopher S. Kempf and Leon N. McKenzie Jr. assistant secretaries.

Mr. Story joined the company in 1950 and was appointed assistant secretary in 1953 and secretary in 1956. He is manager of the ocean marine and multiple line departments.

Mr. Kempf, with the company since 1951, was at the New York office before his transfer in 1960 to the home office where he has been assistant to the vice-president in charge of automobile and casualty underwriting.

Joins Company In 1947

Mr. McKenzie joined the company in 1947. He became assistant manager of the inland marine department and in 1959 was advanced to production manager for the southeastern states.

When Agent Is Liable For Faulty Coverage

(CONTINUED FROM PAGE 16)

occurred, the insurer denied liability, and the merchant sued.

The court held the company not liable because of the material concealment of fact. The owner then sued the agent and recovered. The supreme court said that the agent or broker in negotiating for a policy is the agent of insured and as such owes a duty to his principal to exercise reasonable skill, care and diligence. This, the court said, the agent had failed to do in this instance. The agent argued that insured should have read the policy. The court rejoined that the agent's misleading statements and lack of care relieved the owner of the consequences of not having read his policy.

Failed To Instruct Company

In an older case, Mr. Wagner said, the agent was held liable for failure to carry out instructions to his company to reduce a binder from $2,500 to $1,500. He was liable for the difference. The agent argued that the company's letter was merely a polite request that the amount be reduced. But the court said that the company's request was "the equivalent of a command."

There are many cases in other jurisdictions, Mr. Wagner said. The rule seems well established that an agent or broker who, with a view to compensation for services, undertakes to procure insurance for another, and he fails to do so through his own fault or negligence, is liable for any resulting damages.

It is then of the utmost importance, Mr. Wagner said, for an agent or broker, in his efforts to procure insurance, to "seasonably" notify his insured if he can't do so. His failure to provide this kind of notice creates a personal liability.

Several cases over the country hold the agent or broker liable if he neglects to renew a policy which has expired, where he is under an obligation to keep the premises insured. The catch, he said, is, what are the circumstances or conditions which placed the agent or broker under an obligation to keep the premises insured?

Here, Mr. Wagner said, his conduct or past practice spells out at least an implied agreement to do so—if there is no definite agreement.

Under the agency system, policyholders rely entirely on agents to obtain the coverages they need and, more importantly, to keep them continuously protected by renewing policies at expiration—or notifying them some time prior to expiration, Mr. Wagner said.

When insured complains that a producer renewed his policy without authorization and then bills him for the earned premium, the department "explains that at least in fire and casualty, even though the premium has not been paid, creation of debt for the premium is the consideration that puts the contract into force. If a loss had occurred, we would expect the company to pay, though the premium had not been paid."

He urged agents that if they have policies they don't intend to renew, even if insured orally has told them he doesn't want it, get it in writing. He noted that the Connecticut supreme court has distinguished between agent and broker in one case by holding that notice to a broker is not notice to the company.

He warned agents to take care of assigned risks carefully. One agent failed to notify his company for 363 days after he had been notified by insured of an accident. Assigned risks produce so many problems in this and other areas, Mr. Wanger hopes they don't increase in Connecticut as they have in other states.

Heist, Beebe Named By Liberty Mutual

Ray K. Heist, vice-president of Liberty Mutual, has been named manager of the business sales department at the home office. Albert Beebe has been appointed assistant vice-president and regional manager for Brooklyn and Long Island, N. Y.

Mr. Heist, with the company since 1934, was in claims and sales work before becoming district and then regional manager at Newark. Most recently he has been vice-president and manager of the central division at Pittsburgh.

Mr. Beebe joined the company in 1925. He was active in sales before becoming resident manager at Albany. Later he was at the New York office and most recently in Brooklyn.

Court Holds For UJF In N.J.

Where plaintiffs in civil accident suits involving a hit run driver have obtained some evidence as to the identity of the driver, they should proceed with their civil suit before suing the Unsatisfied Claim & Judgment Fund, the appellate division of the New Jersey superior court has ruled.

Edward McGainey and Joseph McGainey, pedestrians, were injured in an accident on Oct. 25, 1958, in Montclair by a hit run driver who, on the basis of information obtained later, they claimed was Mrs. Jean Z. Cable. They also sought to make the fund party to the suit. Their action was dismissed by the lower courts.

The court ruled that the plaintiffs must first proceed against Mrs. Cable before they may proceed against the fund.

Radiation Talk At S.F.

Fire Underwriters Forum of San Francisco on Feb. 15 will hear a lecture accompanied by slides on hazards of radiation by Frederick J. Shon, lecturer and research engineer for the University of California research laboratory at Livermore.

Security Bureau's Work Cutting Dock Thefts Outlined At N. Y. Meet

Security Bureau, an organization for the suppression of theft and pilferage at the Port of New York, reelected its officers at its annual meeting in New York.

Elected to the board of the bureau, to represent insurer members, were Dale E. Taylor, Atlantic Mutual, Robert A. Murphy, Chubb & Son, and George Inselman, Marine Office of America.

The annual report of the president, James P. McAlister, McAlister Lighterage Line, noted continuation of the bureau's theft prevention program and its investigative activities. The bureau's legal staff made 348 appearances at various criminal courts, New York, New Jersey and federal, and also before administrative agencies. A total of 46 convictions resulted. The convicts included truckmen, longshoremen, hatch bosses, crewmen and baggage handlers.

$100,000 In Goods Recovered

Illicit receivers included a bakery foreman, a bartender, an auto wrecker, salesmen, and proprieters of a music shop and a wholesale drug business. Goods worth more than $100,000 were recovered, including liquor, musical instruments, photographic equipment, jewelry, drugs, coffee, cases of silk and piece goods, bales of woolens, transistor radios, rugs, and sports goods.

Sentences imposed ranged up to six years' imprisonment. Mr. McAlister remarked, however, that too often efforts of the bureau and law enforcement agencies are frustrated by indulgent and inadequate sentences.

He emphasized that the bureau aims at prosecuting all instances of waterfront larceny, regardless of the value of the goods. Prosecution is undertaken only in cases where the facts are sufficient to establish a prime facie case. He pointed out that since the bureau began operations in 1947 no member firm has been subjected to a lawsuit, as a result of filing a criminal complaint, where it had consulted the bureau.

In connection with loss prevention, the bureau conducted five courses under its standard industry training program for pier guards. A total of 227 guards completed the courses and passed the written examination. Refresher courses were taken by 138 licensed watchmen. An average of two refresher courses a month will be given during the coming year in addition to quarterly courses for new guards.

Fund Names Perry, Brown In Virginia, Mississippi

Fireman's Fund has transferred Special Agent F. Kimball Brown from the southwest Virginia territory to the Mississippi field at Jackson. He succeeds Special Agent Walter S. Pierce, who has taken charge of the new Pensacola, Fla., office.

Mack K. Perry will replace Mr. Brown at Roanoke, Va. Mr. Perry has been with the Fund four years in the southern department.

Declares 10% Stock Dividend

Civil Service Employees of San Francisco will pay 10% stock dividend March 15 to stock of record Feb. 21. No fractional shares will be issued. A 30 cent cash dividend will also be paid March 15 to stock of record Feb. 21, including the shares issued as a stock dividend.

Underwriters Adjusting Promotes Aldrich In Neb.

Duane Aldrich has been promoted by Underwriters Adjusting from manager at Omaha to supervisor of the Nebraska district. Mr. Aldrich has been with Underwriters for 16 years, and was general adjuster and manager at Lincoln before going to Omaha.

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D. L. O'Donoghue Inc., New York reinsurance intermediaries, have elected Robert J. Giesen, a vice-president, to the board.

Says To Stop Paying 'Improper' Claims

A subscriber writes:

Here is an idea that could serve to correct the unprofitable experience of fire companies and, at the same time, lend strong emphasis and incentive to the sale of broader and more comprehensive forms. Adoption would require merely an understanding acceptance by companies and producers and agreement not to compete in payment of improper losses.

We should return to strict interpretations of "fire" and "windstorm" as to losses under straight fire and extended coverage policies. The present practice of paying for cigarette scorches, "friendly" fire damage, and damage by wind which is not a windstorm under fire and EC policies is staggering in its total cost, and unfair to those who pay higher premiums for broader protection which truly covers such losses. The ready payment of such losses under fire and EC policies is a detriment to the sale of the broad form, special building form, personal property floater and homeowner C, etc., whose premiums include loadings for these as well as other perils.

Resistance Dissolves

During the depression there was organized resistance to cigarette scorch losses which gradually dissolved in the following profitable and competitive years. The comparatively recent development of broader coverages at increased rates offers the opportunity of a reasonable approach to the problems.

We should say, "I'm sorry, Mr. Insured, your limited fire and extended coverage policy does not cover such damage—the slightly more expensive forms would cover it—shall we change the coverage now or at renewal to cover future damage like this?"

Many companies readily pay scorch losses under fire policies or do not apply deductibles which might properly apply, and pay losses by wind damage without the simplest inquiry into wind velocity. Some producers object to blithely paying these losses, particularly when insured had refused to buy the broader coverage which would have properly covered such loss. Why should he, if he's paid anyhow under the more limited form?

Payments in many instances are truly discriminatory yet I have never heard of an insurance department criticizing this type of discrimination

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Redmon Heads Renamed Ariz. Claims Men Assn.

B. G. Redmon, Hartford Accident, has been elected to head the renamed Arizona Insurance Claimsmen's Assn. Other officers are James A. Tucker, State Farm Mutual, vice-president; Martin Carey, Transport Indemnity, secretary, and Robert C. Bowerman, Springfield F.&M., treasurer.

The group, formerly named Casualty Adjusters Assn. of Phoenix, was reorganized to permit membership from all over the state.

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The New Jersey legislature has passed and sent to the governor a measure designed to limit actions for compensable accidents to the single recourse of workmen's compensation. An employer or coemploye of the person injured or killed could not be held liable in any other action at common law, except for intentional wrongdoing.

Society Progresses To Degree Granting

(CONTINUED FROM PAGE 1)

would be recruited by insurers, agencies and brokerage firms from the upper half of high school graduating classes. As in a number of other colleges, students would alternate their time between the classroom and their employers' offices.

Advantages Cited

At the end of 5½ years under the work-study program, each student would have 2½ years of practical work experience in addition to his degree with a strong insurance major. Enrollment for the first year would be limited to 200 students.

The college has been under discussion for several years. The first positive step toward its creation was taken last May when the society's directors named a special committee to study the project.

The recent letter asking support by top executives was signed by Alan O. Robinson, president of Yorkshire and chairman of the society, and by William P. Worthington, chairman of Home Life and chairman of the college development program special committee. They point out that one of the greatest needs in the business is the recruitment and training of high quality personnel. In recognition of this common problem, the letter states, the society's directors believe that it is now ready to provide additional facilities which will aid all companies' recruiting and educational efforts.

To make these new services available, it is felt that it would be wise to make the society's school a degree-granting institution. The letter states that intelligent recruiting and training is the key to sound growth of all companies in the business and urges executives to join in supporting a project which will ease these problems "through the expanded facilities of our own society which has served us so well in the past."

Continental Casualty Set Records In 1960

Continental Casualty and its wholly-owned subsidiary, Transportation, in 1960 wrote consolidated net premiums of $322,773,438, a gain of $29,545,329 over 1959. Underwriting profit increased to $11,122,739 as compared with $9,384,924 in 1959. Net investment income was $13,851,908, a gain of $1,617,398.

After provision for income taxes, consolidated net income from operations amounted to $18,179,647. This was an increase of $2,925,213 in 1959.

At Dec. 31, surplus to policyholders was at an all-time high of $234,388,269, a gain during the year of $20,485,953.

Losses Of Hartford Steam Boiler Rise

Hartford Steam Boiler had an underwriting loss of $1,094,188 in 1960. Premiums written reached a new high of $27,196,990, and earned premiums were $22,174,845. Unearned premium reserve increased by $5,022,145.

Incurred losses were $7,053,898, with several large losses in the closing months of 1960. The total of underwriting expenses, including a contribution to the employe's retirement fund, was $23,269,033. Net income from investments was $2,001,705. The net gain from the year's operations was $850,395.

At the end of 1960, surplus was $34,929,683 and assets were $87,166,941. Premiums in force stood at $76,027,993, up by $5,221,925.

Traffic Deaths Up 1% In 1960

Traffic accidents in 1960 took the lives of 38,200 persons and caused 1,400,000 injuries disabling beyond the day of the accident, according to estimates of the National Safety Council. It was the highest traffic death toll since 1957, when 38,702 persons died. The 1959 traffic toll was 37,910 deaths and about the same number of disabling injuries as in 1960.

While the toll was rising 1% from 1959, a record-low rate of 5.3 deaths for every 100 million miles of motor vehicle travel was recorded. The mileage death rate in 1959 was 5.4.

Record Highway Travel

A 2% increase in travel in 1960 more than offset the 1% rise in deaths, the council said. Highway travel was a record 715 billion miles in 1960, as compared with 700 billion miles in 1959.

The cost of traffic accidents in 1960 was estimated by the council at $6.4 billion. Property damage from traffic accidents was $2.15 billion.

For December alone, the council said, 3,520 persons died in traffic accidents—down 5% from the December, 1959 figure of 3,707.

IRS Is Seen Taking First Foreign Reinsurer Tax Action

(CONTINUED FROM PAGE 1)

nancial operations on any foreign companies they control or subsidiaries. The U.S. companies were informed of the new regulations, and it was assumed that once the returns were in the hands of IRS, which should be by the end of 1961, the service would be in a better position to close what it has for some time considered in some cases "a tax loophole."

That was about how matters stood late in January when the old administration took its leave of Washington and the new one stepped in.

Then President Kennedy's task force on the problem of balance of payments between the U.S. and other countries suggested scrapping, at least in some countries, the income tax break afforded the profits of foreign subsidiaries of U.S. corporations.

Profits Stay In Foreign Nations

The reasoning behind this suggestion, and much of the other opposition to the foreign subsidiary device, seems to be that although the law provides for taxing those profits when they are brought back to the United States, it never or seldom seems to work out that way. Profits of subsidiaries in so-called tax-haven countries tend, they say, to stay put on foreign shores for two reasons—(1) The fact that they become taxable if returned to the U.S. and (2) because of the more favorable rate of return on foreign investments.

The task force recommendation, plus pressure from some Congressional sources, may have stirred IRS into action. Anyway, early this month IRS let loose with its TIR-300, a technical information release, which seems to point the way towards which IRS is heading.

Notes 1960 Returns

TIR-300 said that in its examination of 1960 income tax returns, the service will carefully scrutinize all reinsurance arrangements between domestic and foreign reinsurers in cases where a close relationship exists, whether directly or indirectly, between the domestic organization controlling the insurance business and the ultimate foreign insurer to determine for federal income tax purposes "whether in substance, the particular arrangements are entered into with a bona fide business purpose or, in fact, represent a plan for the avoidance of federal income taxes."

After noting that a number of situations had come to the attention of IRS involving use of foreign insurance subsidiaries generally located in tax-haven countries, the IRS stated, "Unless it could be clearly shown to the satisfaction of the commissioner that a real business purpose dictated the reinsurance agreement, it will be assumed that such arrangement was availed of for the purpose of tax avoidance, and, in such cases, the arrangement will be disregarded in arriving at the substance of the transactions for purposes of federal income tax."

It would appear, then, that the burden of proof as to whether a business purpose is being served will rest with the company owning a foreign reinsurance subsidiary.

The service cited as one example of the type of reinsurance arrangement that it considers as having "no substance" and therefore not recognizable for income tax purposes, the situation wherein, "The ultimate insurer or reinsurer of the lives of the debtors of a domestic finance company is a subsidiary of the finance company. Since the domestic finance company controls the placement of such insurance and is also the beneficiary thereunder, the premiums paid by such debtors constitute taxable income of the finance company to the extent they are enjoyed by the finance company and without regard to whether the ultimate subsidiary insurer or reinsurer is a domestic or a foreign corporation or whether or not there are intermediate independent insurers or reinsurers involved.

"For example, it has come to the attention of the service that certain finance companies place credit life insurance on the lives of their own debtors with independent domestic insurers which in turn cede reinsurance of these same lives to a foreign insurance corporation which is a wholly owned subsidiary of the finance company. The largest part of the premiums for such insurance is ultimately being deposited by the subsidiary in a United States bank which 'loans' the finance company an amount roughly equivalent to such deposit, the amount of the interest paid by the bank on the deposits of the foreign insurance company being very little different from the amount pany to the bank on the 'loan.' Under such circumstances, a large part of the premiums paid clearly goes to the benefit of the finance company aside from its recoveries as a beneficiary."

Upon being queried by THE NATIONAL UNDERWRITER about whether TIR-300 constituted the service's first step of several against foreign subsidiaries, an IRS spokesman said that it could be considered "a beginning," and that it may be presumed that the service would proceed along the lines indicated in the technical information release. Nothing else, however, seems to be in the works at this moment, he said.

On the other hand, it is fairly obvious that the feeling around IRS is that it can move against those insurance companies with foreign reinsurance subsidiaries that do not serve what it considers a legitimate business purpose, without having to wait for new laws to be passed by Congress. If the wording of TIR-300 can be taken at face value, all foreign reinsurance arrangement will be scrutinized, even though the service's cited example may have been an unusual one. Furthermore, armed with the information returns it is requiring this year of all companies with foreign subsidiaries, IRS may be expected to take further action by the end of the year or the beginning of next.

Lewis To Hingham Mutual

Carl A. R. Lewis has joined Hingham Mutual Fire as a field man in Maine and New Hampshire. He was formerly special agent of Indemnity of North America in Massachusetts.

Want Bureau Power Restored In Wash.

(CONTINUED FROM PAGE 1)

ing a balance between (a) unbridled rate wars with their accompanying chaos through company failures, and (b) the preservation of wholesome competition. Various states have found various equilibriums, ranging from the rates being made by the insurance commissioner to nothing but a filing requirement. Most states lie somewhere in between.

"The case of Ins. Co. of North America vs Sullivan upset what the insurance commissioner believed to be the particular equilibrium that had been established in Washington. Until that decision, a company could meet its filing requirements by becoming a subscriber to a rate making organization, and such subscribership was deemed to be the company's adoption in toto of the rates filed by the rating organization. The company could then deviate from such rates only by a showing that somehow its particular operation would justify such deviation. Provision was also made for the subscribing company to request the rating organization to file a particular rate on a company's request, and upon the failure of the rating organization to do so, the company would be entitled to a hearing before the commissioner.

"This bill is intended to accept the court's invitation (in the North America case), and to resore the equilibrium in Washington to what it was prior to the North America case."

N.Y. Advised Against Extending Disability Law To Major Medical

A committee appointed by Gov. Rockefeller to study the possibility of compulsory major medical in New York state has recommended that such a step would be unwise. However, the survey group, headed by Roswell B. Perkins, former counsel to the governor, did report that a properly drawn law to accomplish this would be technically feasible.

Gov. Rockefeller asked the group to study the practicability of extending the present non-occupational disability benefits law to include major medical for all wage earners. The committee said that to do so now would put New York industry in an unfavorable competitive position with industry in other states that did not have similar coverage.

The committee found that about half of catastrophic expenses are for hospital care and nearly 90% of workers covered by the disability benefits law have some hospitalization insurance. From 17 to 21% of costs are represented by surgical expense, against which 83% of covered workers have some insurance. The study also found that 31% of the work force, including employes of concerns with one employe, farm workers, self-employed and a substantial number of unemployed are not covered by the disability law.

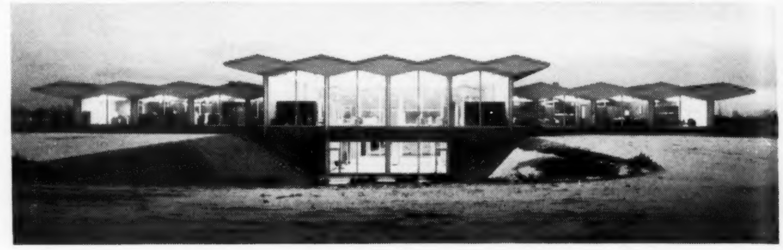
Protection against high medical costs would be incomplete without coverage of dependents. To include dependents in coverage might cause employers to discriminate against persons with dependents in their hiring.

Butteville Ins. Co. Promotes

Butteville Ins. Co. of Woodburn, Ore., has promoted Glen E. Ahre, secretary-treasurer, to the newly created post of executive vice-president; Ray Miller, assistant secretary-treasurer, to secretary-treasurer, and Mrs. Celia McClaughry to assistant secretary.

Asheville (N.C.) Agents Exchange at its annual meeting elected Robert S. Webb Jr. president, L. L. Hutton Jr. vice-president, and Ralph H. Schwarzkopf secretary-treasurer.

Frankenmuth Mutual In New Headquarters



Frankenmuth Mutual's new headquarters was officially opened this week and company operations are under one roof for the first time.

Since December, 1958, when the present company was organized through a merger, it was in two buildings.

Frankenmuth settlers banded together in 1868 to form Deutsche Frankenmuther Feuer Unterstuetzungs Verein, a mutual fire protection association. In order to belong to the original Verein, both husband and wife had to be able to speak German and be members in good standing in the Lutheran church. There were no written policies or contracts. Once each year the members were assessed to take care of the group's indebtedness. In 1924 the name was changed to Frankenmuth Fire Aid Association, and membership requirements were relaxed. Thereafter, anyone of good moral character could join. In 1941, the company was reorganized as Frankenmuth Mutual Fire and chartered under the general mutual laws of Michigan.

Carl Nuechterlein, second of three generations of Nuechterleins to serve as secretary of the fire company and present Frankenmuth Mutual chairman, in 1921 saw the potential of auto insurance. A group of men associated with Frankenmuth Garage Co. decided to take a chance on this new venture and authorized Mr. Nuechterlein to have a charter drawn up.

The fire and auto companies were merged in 1958, but not until now have they operated as a single unit.

Gulf American F.&C. Record Good In 1960

Gulf American Fire & Casualty of Montgomery, Ala., had an underwriting loss of $32,007 in 1960. Net premiums written were $1,826,498. Policyholders surplus rose to $1,165,891 from $1,128,535 in 1959.

Combined loss and expense ratio for 1960 was 95%. Investment income was $61,055 and net operating profit was $29,048. Assets rose to $2,387,645 from $2,040,178 in 1959. Earnings per share were close to 16 cents. The company is now doing business through some 400 agents in Alabama, Florida, Georgia, Mississippi, South Carolina and Tennessee.

Hartford Fire Group Names Nunley, McNeill At Denver

Hartford Fire group has appointed two special agents at Denver. Conrad O. Nunley will be in Colorado and Wyoming for Citizens and New York Underwriters. Clark J. McNeill will be in the same two states for Hartford Fire.

Mr. Nunley joined the group at Chicago in 1948. He was a special agent in Colorado and Wyoming for nine years and has been in the group's Indianapolis office since 1959.

Mr. McNeill, who attended the group's training school, has been in the agency business at Cortez, Colo., since 1948.

Wabash F.&C. In Black

After a net operating loss of $1.25 million in 1959, Wabash Fire & Casualty has declared a dividend of 10 cents a share for 1960. President John McGurk, who succeeded former Gov. Henry F. Schricker in October of 1959, said the company had a net gain in 1960 of $163,923. Policyholders surplus increased to $3 million. Mr. McGurk said the upswing was achieved by a reduction of reinsurance costs, elimination of unprofitable out-of-state agency operations, cuts in internal operating costs and the introduction of several new types of coverage.

Aim At Cheating Drivers

To eliminate cheating against the Maryland Unsatisfied Claim & Judgment Fund, the state is requiring insurers to distribute forms to insured certifying that auto liability insurance is in effect. In 1960, John R. Jewell, motor vehicle commissioner estimates, half of those who claimed to be insured when registering their cars were lying in order to avoid paying the $26 fee that goes into the fund. The number of uninsured in the state is estimated at 160,000. If the motorist cannot display the new form when he applies for registration, he has to pay the $26.

General Agent Tells What's In Store In Commercial Field

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block policy. Since the Inter-Regional Insurance Conference represents those companies, which in general, comprise the might and main of the property and casualty markets in this country, it should therefore follow as a logical step that this program will emerge as the normal in the field of commercial package policies.

Mr. McPhaul's next forecast was that agents shall more and more be heard and paid heed within the councils of those responsible for product development of commercial package policies.

Agents' criticism of the homeowners program has not passed unnoticed and company executives, at the highest level, accordingly have examined their position in the light thereof.

Among those commercial package policies which are in the stage of imminent introduction in Texas are, first of all, a public and institutional property form, Mr. McPhaul said. The plan contemplates only the named peril coverages of fire, extended coverage, vandalism and malicious mischief, replacement cost insurance, and where applicable, sprinkler leakage, and while not the most comprehensive, it is a package policy. The proposed rules provide for a single blanket average account rate, but probably the most unique feature of this contract will be the application of a mandatory $100 deductible per building, but limited in the aggregate to $1,000 per occurrences to all losses except fire and lightning. The plan calls for periodic inspections of the insured property and this feature, coupled with the mandatory deductible, will have the effect of reducing the rate to be charged by a very substantial margin.

The next contract receiving intensive study is a special motel policy—probably the most comprehensive of the currently recognized commercial package policies. This truly multi-peril policy, along with the homeowners contract, best approaches the ultimate in the packaging of coverage. The form will embrace both real property and business personal property and will insure against a large number of named perils. This is one of the two coverages required to establish eligibility for the package; the other being comprehensive liability on premises and operations. Aside from the sizable rate discount to be available for the package, the other principal attraction is the flexibility of the form as it permits inclusion of a number of important optional coverages.

This special motel policy has been filed and written in several states for a number of years, by independent companies with much success, Mr. McPhaul said.

Another package policy which is likely to be developed is a basic multi-peril policy designed for commercial apartment projects. It is currently presumed that the coverages to be afforded will be essentially those just described for the motel policy. The real importance of this form, however, is that there are discernable indications that the basic apartment house form may be so drawn that, with but little alteration, it can be adapted for use with almost any mercantile operation so classed as such.

Another item, of little relative importance alone, Mr. McPhaul suggested, but which does serve to illustrate the packaging trend, is the proposed attachment of a professional liability contract, including premises liability to an all-risk physicians or surgeons equipment floater policy. This, while not yet acted on, has been filed with the Texas department.

London Market Experimenting

Turning to predictions somewhat more risky, Mr. McPhaul said currently, the London market is experimenting in three major areas of significance. If these experiments prove successful, the cumulative effect thereof could well portend the most momentous advance the packaging concept has ever known.

The first experiment of significance is the application of all-risk coverage to commercial and industrial real and personal property. The all-risk concept is, of course, not new and companies in this country have long provided such coverage on personal property. However, with but few feeble exceptions, American companies have not done so for real or static property.

The term "all-risk" can be misleading and mean all manner of things to a number of different people, the speaker noted. However, the London form is usually much broader than its American counterpart in that it contains fewer exclusions and does really approach all-risk coverage in the classic sense.

The next item of significance is the increasing acceptance of the umbrella liability policy. There are a number of American companies already becoming active in writing this class. Briefly, this policy is written for large limits in excess of the limits generally available to an insured in domestic companies, but the real importance is that the umbrella contract is much broader in coverage than domestic policies and will in reality insure some of the currently common exclusions.

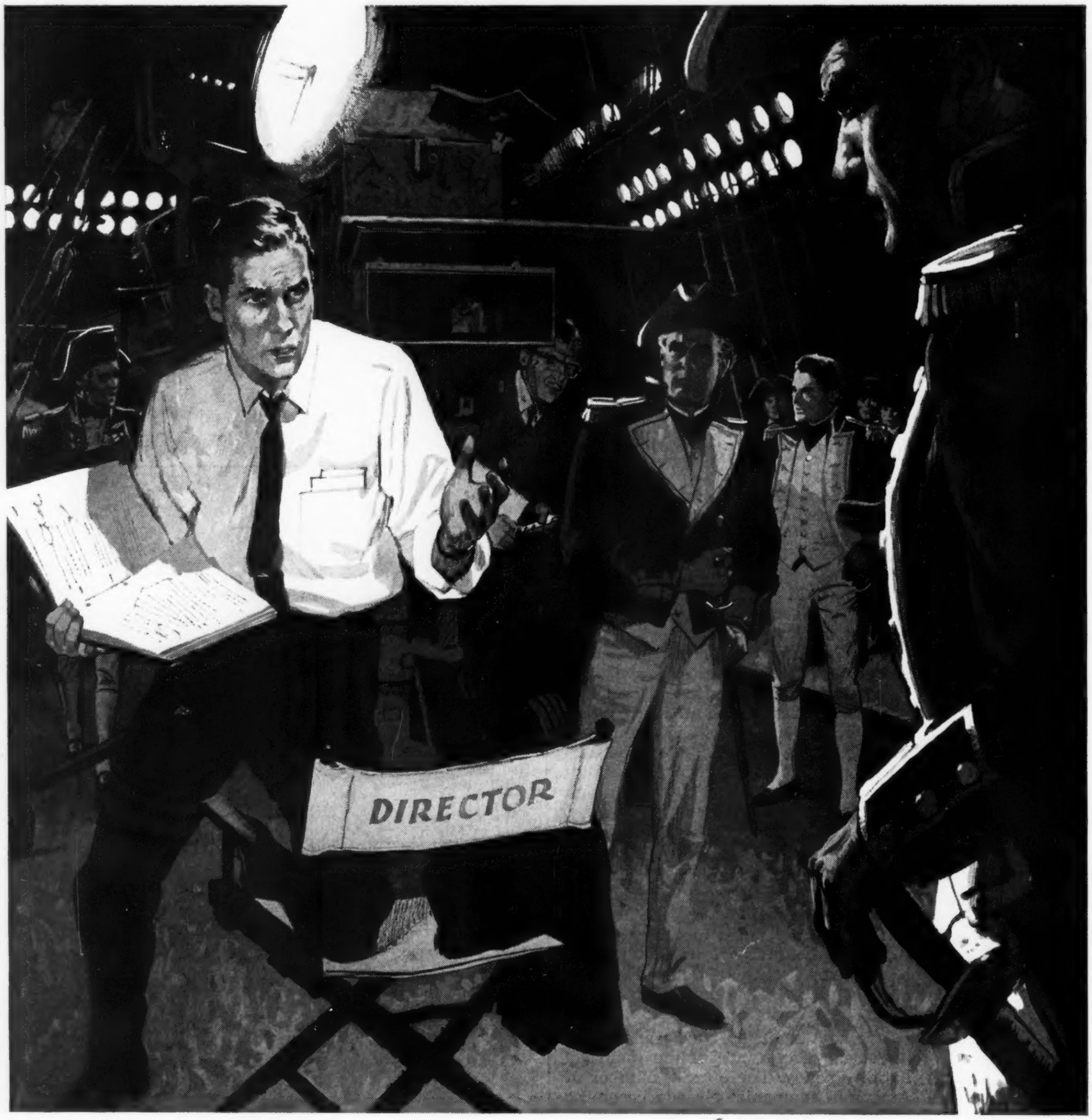
The broadened portion of coverage under this policy, Mr. McPhaul said, not contemplated by the domestic policy, is usually subject to a deductible of $25,000. The pressure is mounting though to reduce this deductible and there is little doubt but what it will be reduced to as low as $5,000.

Importance Of Excess Of Loss

Another item of significance and probably the most important, because it deals with the pricing of coverage, is the writing of excess of loss fire insurance. In plain language, this is nothing more than deductible fire insurance. Nothing is more sacred in the history of the fire business in America than the industry's insistence on maintaining the first dollar of fire loss coverage and the absolute avoidance of anything remotely suggestive of a deductible for fire insurance. Granted, such a deductible would wreak havoc with the current rate level. Remember these three items, all-risk on real property, the umbrella liability policy, and deductible fire insurance.

Imagine now, Mr. McPhaul said, what these influences could bring about. It is possible to envision a single contract, at a single adjustable premium, providing broad coverage for direct and consequential damage to property, both real and personal, liability coverage akin to that now provided by the umbrella liability policy, workmen's compensation, automobile coverage, and even A&S coverage. The heartening aspect is that insured can probably well afford this new package because of the savings in cost occasioned by the sound use of a practical deductible related not only to the exposure itself, but to insured's ability to retain for his own account a reasonable first dollar loss.

Agents should not be dismayed by the seeming complexity of this subject, Mr. McPhaul urged. Rather, approach it as a golden opportunity to demonstrate to clients that one is, in fact, professionally competent and not the mere receiver of an application to be fed into some monstrous machine.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